STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Central Illinois Light Company,	:	**99-0013**
Central Illinois Public Service	:	
Company, Commonwealth Edison	:	
Company, Illinois Power Company,	:	
Interstate Power Company,	:	
MidAmerican Energy Company, Mt.	:	
Carmel Public Utility Company,	:	
South Beloit Water, Gas, and	:	
Electric Company, and Union	:	
Electric Company	:	
	:	
Investigation Concerning the	:	
Unbundling of Delivery Services	:	
Under Section 16-108 of the Public	:	
Utilities Act.		

ORDER

DATED: October 4, 2000

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By the Commission:

I. BACKGROUND

On January 13, 1999, the Commission entered an order initiating this proceeding to investigate issues concerning the unbundling of delivery services under Section 16-108 of the Public Utilities Act. (the "Act") (220 ILCS 5/16-108). Specifically, the Commission initiated this proceeding to investigate and make determinations on the following three issues:

(1) Can and should delivery services be unbundled on a statewide basis?

(2) If the Commission decides that unbundling is appropriate, should there be any exceptions for small utilities?

(3) How will the transition charge be applied to customers taking unbundled service?

On April 12, 1999, the Commission entered an Interim Order in this docket which concluded that metering and billing should be unbundled. In reaching this conclusion, the Commission considered the effect of such unbundling on (i) the objective of just and reasonable rates, (ii) electric utility employees, and (iii) the development of competitive markets for electric services in Illinois, as required by Section 16-108(a) of the Act. The Commission concluded that the unbundling of metering and billing will not have a negative impact on the objective of just and reasonable rates, there is no evidence in the record that such unbundling will negatively impact electric utility employees, and such unbundling will promote the development of electric markets for electric energy in Illinois.

The Interim Order indicated that the absence of an explanation of "customer handling" precluded a decision that "customer handling" should be unbundled. The Interim Order stated that the unbundling of "customer handling" may be considered in the next phase of this proceeding, described in Section V.H. therein, if a clear explanation of the services that comprise "customer handling" is provided. (Interim Order at 10-11)

In Section V.H. of the Interim Order, consistent with its findings therein regarding unbundling of delivery services, the Commission adopted the following procedure:

(1) Further consideration of unbundling will be deferred until approximately September 1, 1999 (after the completion of the delivery services cases). At that time, consideration of unbundling will resume in this docket.

(2) This proceeding will be reactivated in September 1999, and will be scheduled to result in an order by May 1, 2000, establishing how metering and billing should be unbundled.

(3) The proceeding should include both evidentiary hearings and a workshop process, with the latter focused on allowing all interested parties to discuss and attempt to develop solutions to the many technical and business process issues.

4) Implementation of the results of the order identified in (2) above will occur so that by September 1, 2000, alternative providers will have an opportunity to provide metering and billing services. This schedule will provide a period during which parties other than incumbent utilities will have an opportunity to provide metering and billing services prior to the second phase of customer choice of generation services which begins on December 31, 2000.

(Interim Order at 17)

On November 17, 1999, the Commission entered a Second Interim Order in this proceeding which granted an exemption to Mt. Carmel Public Utility Co. ("Mt. Carmel") from further unbundling of delivery services beyond the single billing option included in its delivery services tariffs. The Second Interim Order found that the exemption is subject to examination in the future if circumstances change in Mt. Carmel's service territory.

Workshops and evidentiary hearings were held in compliance with the procedure established in the Interim Order that culminated in the entry of the Third Interim Order on December 22, 1999. The Third Interim Order concluded that 16 metering processes, identified in Section III.B.7 therein, should be unbundled to the extent that eligible customers purchase such services from meter service providers ("MSPs") that have been certified by the Commission; MSPs should be required to provide advanced metering as described in Section III.A therein; the demarcation points for unbundled metering set forth in Section III.C therein should be approved; the only customers entitled to take unbundled delivery services are those taking service under a utility's delivery services tariff; if a delivery services customer elects to take unbundled metering service from an MSP, it must take all unbundled metering processes from an MSP; a single MSP should have the responsibility to provide all of the unbundled metering processes to a customer; a retail electric customer should not own the meter used by the MSP for purposes of calculating delivery services bills or provide any of the unbundled metering services associated with that meter; the unbundling of billing is limited to the single billing option and the billing processes included in the 16 unbundled metering processes; and customer handling should not be unbundled. (Third Interim Order at 53)

The Third Interim Order also directed the electric utilities to file a separate embedded cost based tariff for unbundled delivery services, to be examined in the next phase of this proceeding. The Third Interim Order also required that electric utilities comply with Staff's proposed filing requirements, and file testimony supporting their proposed tariffs and all workpapers used to compute the rates at the time that they file their proposed tariffs in the next phase of the proceeding. (Id. at 50)

II. PROCEDURAL HISTORY

To date, petitions to intervene in this proceeding been filed by Alliant Energy Resources, Inc., Blackhawk Energy Services ("Blackhawk"); the Building Owners and Managers Association of Chicago; CellNet Data Services, Inc.; the Citizens Utility Board; Enron Energy Services, Inc. ("Enron"); the Illinois Industrial Energy Consumers; the International Brotherhood of Electrical Workers, AFL-CIO, Local Union Nos. 15, 51, 702 and 1306; NewEnergy Midwest L.L.C. ("NewEnergy"); the People of Cook County; Peoples Energy Services Corporation; eMeter Corporation ("eMeter"); Utility.com, Inc.; Northern Illinois Gas Company, d/b/a Nicor Gas; Avistar, Inc. d/b/a PHASER Advanced Metering Services ("Phaser"); Schlumberger Resource Management Services, Inc.; the Association of Illinois Electric Cooperatives; Itron, Inc., Star Data Services; FirstPoint Services, Inc.; the Illinois Municipal Electric Agency; ABB Automation, Inc.; and Sieben Energy Associates. These petitions to intervene were granted by the Hearing Examiners. In addition, the City of Chicago filed an appearance in this docket.

On January 20, 2000, each electric utility filed their proposed tariffs for unbundled metering services along with workpapers, testimony, and exhibits. On February 15, 2000, the Commission amended the April 12, 1999 Interim Order in the following respect: the date on which alternative providers shall have the opportunity to provide unbundled metering services was extended from September 1, 2000 to January 1, 2001. The deadline was extended to allow time for the adoption of final rules regarding certification requirements and standards of service for MSPs.

On February 16, 2000, a hearing was held in this matter before duly authorized Hearing Examiners of the Commission at its offices in Springfield, Illinois. The Hearing Examiners set a revised schedule for the filing of testimony and evidentiary hearings. The revised schedule included the opportunity for the electric utilities to file revised tariffs and testimony to reflect the first notice rules in 83 Ill. Adm. Code 460, Certification Requirements and Standards of Service for Meter Service Providers. All of the electric utilities, except Interstate Power Company (“Interstate”) and South Beloit Water, Gas and Electric Company (“South Beloit”), filed revised direct testimony and tariffs. Evidentiary hearings were held on June 19-23, 2000. Evidence was presented by Central Illinois Public Service Company (“CIPS”) and Union Electric Company (“UE”) (collectively, “Ameren”); Central Illinois Light Company (“CILCO”); Commonwealth Edison Company (“ComEd”); Illinois Power Company (“IP”); MidAmerican Energy Company (“MidAmerican”), South Beloit and Interstate (collectively, “Alliant”); Commission Staff (“Staff”), and jointly by Blackhawk, eMeter, Enron, NewEnergy and Phaser (collectively, the “Coalition”). At the conclusion of the hearing on June 23, 2000, the record was marked “Heard and Taken.”

Briefs were filed by Ameren, CILCO, ComEd, IP, MidAmerican, Alliant, Staff and the Coalition.

The Hearing Examiners’ proposed order ("HEPO") was served on the parties. Briefs on exceptions were filed by Ameren, CILCO, ComEd, IP, MidAmerican, the Coalition and Staff. Replies to exceptions were filed by Ameren, CILCO, ComEd, IP, the Coalition and Staff. These filings have been considered by the Commission in reaching its conclusions in this Order.

III. IMPLEMENTATION COSTS FOR UNBUNDLED METERS

A. Overview

The electric utilities have been and will be incurring costs required to implement the unbundling of metering services on January 1, 2001. In their testimony, ComEd, IP and Ameren propose to recover their implementation costs through their tariffs filed in this proceeding. They propose to amortize such costs over a five-year period and to include the unamortized balance in rate base.

ComEd indicates that its implementation costs consist of two categories: (i) information systems costs and (ii) business process costs. ComEd witness Meehan testified that one-time information system costs will total $10,040,000, of which $2,412,500 was spent as of May 31, 2000. Mr. Meehan also indicated that annual recurring information system costs will total $640,000. ComEd witness Grove testified that one-time business process costs will total $1,150,000, and that annual recurring business process costs will total $190,000. (ComEd Brief at 13-14)

ComEd's pro forma adjustment to its metering services revenue requirement to reflect these implementation costs is $3,705,000. This amount consists of (1) $2,579,000 for the amortization of one-time information systems over five years and the inclusion of the unamortized balance in rate base, (2) $640,000 for annual recurring information system costs, (3) $295,000 for the amortization of one-time business process costs over five years and the inclusion of the unamortized balance in rate base, and (4) $190,000 for annual recurring business process costs. (Id. at 28)

IP seeks to recover $1,166,329.39 of implementation costs. IP indicates that it will cost $1,140,405.01 to make the information technology ("IT") systems and process changes and $25,924.38 for employee training. (IP Brief at 8-11) If the Commission determines that implementation costs cannot be recovered in this proceeding, IP requests that the Commission find that the only ground for prohibiting recovery of implementation costs in a future delivery services tariff ("DST") case is lack of evidence that the costs were prudently incurred. IP asserts that this finding is necessary to ensure that utilities are not faced with a possible "Catch 22" situation in which they are not allowed to seek recovery in this proceeding because the implementation costs are deemed a future expense outside the test year, but then are not allowed to recover the costs in a future DST case because the expenses are deemed to have been incurred in a prior period or are non-recurring. (Id. at 17-18)

Ameren seeks to recover $3,528,000 of implementation costs associated with computer system modifications and related activities. Of this total, Ameren allocated $2,970,000 to CIPS and $558,000 to UE, based on each company's percentage share of the total meter cost of service for both companies on a combined basis. (Ameren Brief at 14-16)

CILCO estimates that its implementation costs will total $449,488. In its testimony, CILCO did not seek recovery of unbundling implementation costs. In its brief, however, CILCO indicates that to the extent that the Commission allows other utilities to recover implementation costs in this docket, CILCO should be allowed to adjust its proposed charges to recover its implementation costs in a comparable manner. To provide it with a reasonable opportunity to recover its implementation costs, CILCO requests authorization to record the implementation costs in a deferred account until such time as an alternative recovery mechanism can be developed or a sufficient number of its customers are taking delivery services to permit the design of a rider to recover such costs. (CILCO Brief at 2)

Alliant and MidAmerican do not seek recovery of implementation costs in this proceeding.

B. Recoverability of Implementation Costs in this Proceeding

1. Compliance with Third Interim Order

a. Staff's Position

In its Third Interim Order in this docket, the Commission concluded:

> [T]he Commission directs the electric utilities to file a separate embedded cost based tariff for unbundled delivery services. The Commission notes that this decision does not indicate a preference for re-litigating our recent decisions on the reasonableness of the delivery services rates. Rather, it indicates a preference for developing unbundled delivery service rates that produce, when added together, the delivery service rates that are currently on file.

(Third Interim Order at 50)

Staff contends that adjusting the rates determined in the utilities' delivery services tariff ("DST") proceedings to allow recovery in this docket of the costs of implementing the unbundling of metering is contrary to the above language in the Third Interim Order. Staff indicates that in setting rates in the DST proceedings, the Commission considered all information usually presented in rate cases, including, but not limited to, costs, revenues and appropriate rates of return. Staff concludes that the DST rates should not be re-litigated in this docket. Staff indicates that if the electric utilities believe that their DST rates are inadequate, they can file new DST rate cases in which all aspects of their DST revenue requirement can be examined.

b. ComEd's Position

ComEd contends that its proposed recovery of implementation costs does not violate the Third Interim Order. ComEd indicates that it has complied with the Third Interim Order by not changing the customer charge for delivery services customers that retain ComEd for metering services. ComEd states that its metering service charge is based on an embedded cost methodology that employs its delivery services revenue requirement approved in Docket 99-0017, adjusted for necessary known and measurable costs to implement unbundling of metering service. ComEd emphasizes that it is not proposing to re-litigate any component of the delivery services revenue requirement that is the starting point for the development of the new tariffs. (ComEd Brief at 9 and 36)

c. Ameren's Position

Ameren indicates that it is not proposing to re-litigate the decision in Docket 99-0121, its DST proceeding. Ameren notes that the First Interim Order in Docket

99-0013 was issued on April 12, 1999, more than one month after Ameren filed proposed DSTs on March 5, 1999. Ameren emphasizes that the cost of service studies that formed the basis for the delivery services revenue requirement adopted in Docket 99-0121 were developed prior to the Commission's directive to provide unbundled meter service and, therefore, do not reflect any costs associated with such service. Ameren further asserts that an adjustment to reflect implementation costs associated with unbundling would have been outside the scope of Docket 99-0121 since the purpose of that docket was to establish rates for delivery service from which meter service was not unbundled. Ameren further notes that the language in the Third Interim Order cited by Staff only indicates a "preference", not a requirement, that the unbundled delivery service rates produce, when added together, the delivery service rates that are currently on file. Ameren asserts that it has attempted to comply with the Commission's preference to the greatest extent possible by using the 9/30/98 test year data approved in Docket 99-0121, as adjusted only to reflect a new cost component, the unbundling implementation costs that were not at issue in Docket 99-0121.

d. Commission's Conclusion

The Commission concludes that allowing recovery in this proceeding of unbundling implementation costs would not violate the Third Interim Order. In that Order, the Commission merely indicated a preference for developing unbundled delivery service rates that produce, when added together, the delivery service rates currently on file. While the Commission does not wish to re-litigate the cost of providing bundled delivery services, any decision regarding the recovery of costs associated with unbundling metering services should be based on the record in this docket. The remaining issues regarding such recovery are addressed hereafter.

2. Single Issue Ratemaking

a. Staff's Position

Staff asserts that Ameren, IP and ComEd have presented the metering service portion of DST revenue requirement based solely on a review of a single issue, implementation costs. Staff states that these utilities have not presented current cost information for the metering service revenue requirement in total, but rather have mixed the current revenue requirement developed in their individual DST cases with cost information related solely to implementation costs. (Staff Brief at 9)

Staff argues that the review of a single cost element does not provide adequate evidence upon which to change the currently authorized DST revenue requirement. According to Staff, implementation costs should be recovered through traditional rate cases that examine a utility's entire cost of service. Staff states that recovery of a single cost has been limited to riders, such as the fuel adjustment clause. Staff concludes that recovery of implementation costs in this docket would be unlawful single-issue ratemaking. (Id. at 10)

b. ComEd's Position

ComEd takes issue with Staff's claim that recovery of implementation costs in this docket violates test-year and single-issue ratemaking principles, is contrary to Illinois law and should be rejected. ComEd notes that the Illinois Supreme Court has stated that the rule against single-issue ratemaking recognizes:

> that the revenue formula is designed to determine the revenue requirement based on the aggregate costs and demand of the utility. Therefore, it would be improper to consider changes to components of the revenue requirement in isolation. Oftentimes a change in one item of the revenue formula is offset by a corresponding change in another component of the formula.

Business and Prof'l People for the Pub. Interest v. Illinois Commerce Comm'n, 146 Il 2d 175, 585 N.E.2d 1032, 1061 (Ill. 1991)(emphasis in original)("BPI II").

Com Ed argues BPI II makes clear that the rule against single-issue ratemaking applies only to a cost element that was a "component of the formula" of already-approved rates. ComEd states that its unbundled metering service implementation costs, on the other hand, are not and could not have been a cost component of the formula in ComEd's delivery services rates in Docket No. 99-0117. Accordingly, ComEd concludes that Staff's claim that the prohibition against single-issue ratemaking bars implementation cost recovery should be rejected. (ComEd Brief at 34)

ComEd believes the record shows that its proposal to reduce the proposed metering service charge by its costs necessary to implement unbundled metering service constitutes a proper application of test year principles for establishment of a new utility service, not single-issue ratemaking. ComEd explained that an example of single-issue ratemaking would be a proposal to adjust the previously approved bundled delivery services tariffs to increase the revenue requirement to reflect higher than expected bad debt expense associated with delivery services customers. Because bad debt expense is only one component of the revenue requirement previously considered and approved in ComEd's delivery services rate case, ComEd concludes that considering it in isolation without considering the change in other components included in the revenue requirement supporting the bundled delivery services tariff would be single-issue ratemaking. (Id. at 35)

ComEd states that in this proceeding, the Commission has ordered utilities to provide an entirely new service, i.e. the provision of unbundled metering service. Further, ComEd asserts that the Third Interim Order expressly directed that utilities not submit new test year data for the delivery services revenue requirement, from which metering service costs were segregated out as a starting point for developing unbundled metering service rates. According to ComEd, for metering service rates to be cost-based, such rates must reflect all of the costs of providing unbundled metering service. This is why ComEd included its implementation costs for unbundled metering service in its revenue requirement and charges in this proceeding. (Id.)

ComEd argues that it would not incur such implementation costs if the Commission had not ordered metering service to be unbundled. ComEd insists that ratemaking principles require cost-based rates so that ComEd can recover the costs of implementing unbundled metering service. ComEd believes that denying recovery under a mistaken understanding of single issue rate making, as Staff proposes, would result in ComEd subsidizing those customers choosing to take metering service from an MSP. ComEd notes that in its DST case, the Commission allowed recovery of the costs of implementing open access for generation. ComEd asserts that the Commission should make a similar decision here and provide for recovery of the costs of implementing unbundled metering service. (Id. at 36)

c. IP's Position

IP argues that there are only two ways for it to recover its costs of implementing unbundled metering: to capture those implementation costs in this docket, or to reflect the costs in IP's next DST case, which will be filed no later than October 2001. IP indicates that it chose the first alternative because the costs are being incurred in order to provide for metering unbundling, and metering unbundling is the focus of this docket. According to IP, it makes sense to determine in this docket, as rates for the new unbundled metering service are set, which customers will pay those costs, and to ensure that payment begins when unbundled metering becomes effective. (IP Brief at 12)

IP argues that this case concerns establishment of a rate for a new delivery service that has never before been offered: unbundled electric metering. Additionally, IP asserts that the concept of "single issue ratemaking" has no applicability to this proceeding, and instead applies when a party unilaterally seeks to modify rates to reflect a change in only a single rate base or expense item, as was the case in BPI II. IP is not seeking to modify existing rates, but is instead seeking to set the rates for a new service that the Commission has required it to offer. (Id. at 13)

IP argues that Section 16-108 of the Act, which allows an electric utility to recover its cost of providing delivery services, will be violated if Staff's position is adopted. IP further asserts that only if its proposal is adopted will the rates for unbundled metering service be set at a level that reflects the cost of making this new service available. (Id.)

IP believes that precedent exists for allowing recovery of costs outside of base rate cases. For example, IP notes that utilities have been allowed to recover specific costs through riders, without considering changes in other components of their most recently set revenue requirement, and were also allowed to recover the costs associated with the statutorily-mandated real time pricing service through the rates associated with that new service. Similarly, IP notes that in its DST Order, it was allowed to recover certain administrative costs that were not included in its delivery services revenue requirement. (Id. at 13-14)

d. Ameren's Position

Ameren takes issue with Staff's position that implementation costs should not be recovered in this docket. Ameren argues that such recommendation is in direct contravention of Section 16-108 of the Act which provides, in pertinent part, that "[c]harges for delivery services shall be cost-based, and shall allow the electric utility to recover the costs of providing delivery services through its charges to its delivery service customers that use the facilities and services associated with such costs." 220 ILCS 5/16-108(c). (Ameren Brief at 16) Ameren further argues that the provision of unbundled metering service is, in essence, an entirely new delivery service and the cost of implementing this new delivery service is not included in the revenue requirements that were used to establish the existing, bundled delivery service charges. According to Ameren, unless the Commission adjusts the current level of delivery service charges to include the unbundling implementation costs effective January 1, 2001, concurrently with the required commencement of the new unbundled meter service, those delivery service charges will not allow UE and CIPS to recover a significant portion of the costs of providing delivery services and, therefore, will not conform with the requirements of Section 16-108. (Ameren Brief at 17)

Ameren also asserts that Staff's "single issue ratemaking" argument is unfounded. Ameren argues that Staff has misapplied the principles enunciated in BPI II. Ameren comments that in discussing the "rule against single-issue ratemaking," the Court in BPI II stated that "it would be improper to consider changes to components of the revenue requirement in isolation" because "[o]ftentimes a change in one item of the revenue formula is offset by a corresponding change in another component of the formula." 146 Ill. 2d at 244. Ameren also cites Citizens Utility Board v. Illinois Commerce Commission, 166 Ill. 2d 111, 138 (1995), in which the Illinois Supreme Court explained that the principles set forth in BPI II regarding single-issue ratemaking "do not apply except in the context of a complete base rate proceeding" and that the "rule does not circumscribe the Commission's ability to approve direct recovery of unique costs through a rider when circumstances warrant such treatment." (Ameren Brief at 18)

According to Ameren, the concerns underlying the rule against "single-issue rulemaking," as discussed in BPI II and Citizens Utility Board, are not implicated by Ameren's proposal in this case. Ameren asserts that this docket is distinguishable from BPI II since Ameren has not proposed to make any "changes to the components of the revenue requirement" used to establish the bundled delivery service rates approved in Docket 99-0121, its DST case. Ameren states that the only adjustments it has proposed are those necessary to reflect new costs incurred to provide a new delivery service offering (unbundled metering service) for which rates were not established in Docket 99-0121. Ameren emphasizes that there are no changes in the components of the delivery service costs considered in Docket 99-0121 which "correspond" to the new costs associated with the computer system modifications and related activities necessary to implement unbundling of metering service. (Ameren Brief at 19-20)

Lastly, Ameren states that this case is not a "complete base rate proceeding," as that term is used in Citizens Utility Board. Rather, according to Ameren, this is a rate restructuring case in which electric utilities have been required to restructure the delivery service charges approved less than one year ago to accommodate a new service offering for which Ameren must incur implementation costs. Ameren concludes that allowing an adjustment to the unbundled DST customer charges to provide for recovery of these "unique costs" does not violate the rule against "single issue ratemaking." (Id. at 20)

e. Commission's Conclusion

As applied in BPI II:

> [t]he rule against single-issue ratemaking is a ratemaking principle which recognizes that the revenue formula is designed to determine a utility's revenue requirement based on utility's aggregate costs and demand. The rule prohibits the Commission from considering changes to components of the revenue requirement in isolation. Consideration of any one item in the revenue formula in isolation risks understatement or overstatement of the revenue requirement.

The Illinois Supreme Court further stated in Citizens Utility Board:

> The rule against single-issue ratemaking is a ratemaking principle which recognizes that the revenue formula is designed to determine a utility's revenue requirement based on the utility's aggregate costs and demand. The rule prohibits the Commission from considering changes to components of the revenue requirement in isolation.

The Court also stated that single-issue ratemaking is to be considered in the context of a traditional rate case. (See Citizens Utility Board) As pointed out by the various utilities, this proceeding is not a traditional rate case, but can be characterized as a rate restructuring. The Commission has ordered the Illinois utilities to unbundle metering services from its bundled delivery services rates and in order to accomplish that unbundling, a new or different rate must be established.

There is no disagreement among the parties that utilities should have the opportunity to recover implementation costs. The dispute is centered on the appropriate docket in which recovery should be addressed. Applying the above cases, it is apparent that the recovery of implementation costs to implement the Commission's Third Interim Order falls outside the single-issue ratemaking principle. Because recovery is not barred by the application of single-issue ratemaking, the utilities should have the opportunity to justify recovery of costs incurred to implement unbundling of metering services in this proceeding. It is clear that such implementation costs are not recovered in existing DST rates.

3. Known and Measurable Standard

a. Staff's Position

i. Applicable Standard

Consistency, Staff argues, requires that the Commission continue to apply the criteria for "known and measurable" adjustments set forth in Section DST.160 of the Minimum Information Requirements ("MIR") for DST filings adopted in Docket No. 98-0454. Section DST.160 provides that pro forma adjustments to the historical test year for known and measurable changes "shall be supported by actual expenditures, written contracts, purchase orders, job orders, invoices or other similar evidence of reasonable certainty."

Staff indicates that those criteria were used to establish each of the utilities' delivery service rates. Staff claims that this proceeding is a continuation of the DST proceedings, with the Commission directing the parties to redesign the established DST rates. The utilities are to unbundle that portion of their delivery services revenue requirement related to metering, according to Staff. Staff argues that if the Commission also permits utilities to update those delivery services revenue requirements, the known and measurable criteria previously used on the test year should again, in a consistent manner, be applied to that same test year. (Staff Brief at 11)

DST.160 states the known and measurable criteria normally applied by the Commission, according to Staff. Staff argues that these known and measurable criteria are not some new standard developed only for the initial delivery services proceedings, but rather, articulate the known and measurable standard normally applied by Staff. Staff says that two of its witnesses, Mr. Gorniak and Ms. Everson indicated that they would have applied the same known and measurable standard even if DST.160 had never been drafted. (Id. at 12)

Staff argues that the longstanding principles upon which those minimum information requirements were based cannot now be set aside, simply because the utilities wish to recover expenses in a docket inappropriate for that purpose. If that were the case, Staff claims, then not only would the known and measurable principle no longer apply, but the test year principle and the prohibitions against single-issue ratemaking and retroactive ratemaking would be emasculated as well. (Id. at 13)

In the alternative, if DST.160 does not apply, Staff argues that the period for proposing known and measurable adjustments as expressed therein does not apply. Staff claims that in this circumstance, the known and measurable period expressed in 83 Ill. Adm. Code 285.150(e) applies, which would preclude recovery of the implementation expenses addressed in this docket. According to Staff, such proposed pro forma adjustments would have been incurred beyond the end of the twelve-month period measured by Part 285.150 (e). (Id. at 13-14)

ii. ComEd's Implementation Costs

Staff indicates that ComEd suggested that it was inappropriate not to accept the sworn assertions of an expert witness as sufficient evidence of the reasonable certainty of the proposed pro forma adjustments. Staff claims that the Commission already determined that sworn expert testimony, and certainly testimony without documentary corroboration, is not sufficient evidence. (Id. at 14, citing Order in Docket No. 99-0117 at 16; Order in Docket Nos. 99-0120/0134 at 23; Order in Docket No. 99-0121 at 47)

In reviewing ComEd costs related to meter unbundling, Staff asserts that it was hindered in its efforts by untimely responses from ComEd. Staff says that while it requested ComEd's expenditures through April 15, 2000, ComEd submitted only materials through March 31, 2000. Staff states it examined available information concerning asserted costs of $1,242,314 for what ComEd labeled information systems ("IS") implementation costs and $256,233 for what ComEd labeled other business process implementation costs. Staff concluded that these amounts were known and measurable. (Id. at 15)

Staff indicates that ComEd sought additional increases to IS implementation costs in its rebuttal testimony that were based on expenses allegedly incurred during April of 2000. Staff asserts that supporting invoices were not supplied despite the fact that ComEd closed its April books in May 2000. Staff states that ComEd's surrebuttal testimony again sought increases to IS implementation costs for expenses allegedly incurred during May of 2000, without supporting invoices. The supporting materials for April and May 2000 expenses arrived three days after the submission of ComEd's surrebuttal testimony, and only two business days before Staff witness Gorniak's cross-examination in this proceeding, according to Staff. (Id. at 16)

On the morning of Mr. Gorniak's cross-examination, Staff says that ComEd presented Staff with a purported update to ComEd witness Grove's direct testimony which extended alleged other business process implementation costs from March to May 31, 2000. According to Staff, no supporting invoices or other documentation were provided and, Staff is still without these materials. (Id. at 16)

Staff argues that it could not conduct the complete and thorough reviews required to determine whether the April and May 2000 implementation costs could be deemed to be known and measurable. Staff states that ComEd's expectation that it should instantly review data clearly fails to satisfy the Commission's standard: "to permit Staff and interested parties an adequate opportunity to review them and to prepare their cases." (Id. at 17, citing Order in Dockets 93-0253 and 99-0303 (Cons.) at 7)

According to Staff, ComEd has the burden of demonstrating that IS and other business process implementation costs should be recovered, and failed to meet this burden. ComEd's provision of supporting materials that Staff says ranged from untimely to completely nonexistent, combined with delays in providing even those "inadequate" materials, unreasonably and severely disadvantaged Staff's review and analysis, according to Staff. Staff asserts that ComEd's practice closely tracked the performance of Ameren in Docket 99-0121. There, Staff says, the Commission excoriated Ameren for providing incomplete information, and for providing it in an untimely fashion. (Id. at 17-18, citing Order in Docket 99-0121 at 29)

Regarding total meter unbundling costs, Staff claims that ComEd substitutes shifting and unreliable targets for certain, auditable figures. Staff states, as an example, ComEd witness Meehan's direct testimony in the second phase of this proceeding stated that ComEd has invested $24,000,000 for information system cost, design and construction. Staff indicates that this figure changed to $12,600,000 in his direct testimony for this present phase of the proceeding, only to shift again to $10,040,000 in his rebuttal testimony. Staff notes that this amounts to an estimate for meter unbundling systems 58% below original projections. Staff states that ComEd also presented, as evidence of reliable cost estimates, the example of a project estimated to cost $27,000,000, which actually cost $33,000,000. Staff notes that this amounts to an 18% error in projections. Staff argues that the Commission must find that evidence of past project cost estimates does not support current cost estimates as reliable known and measurable costs. (Id. at 17-18)

Staff indicates that it focused its review on invoices, spreadsheets and ComEd's "open-ended" contracts. Staff claims it can hardly gauge future expenditures when ComEd does not provide supporting documentation and has a pattern of significantly shifting cost estimates. Staff states that the documentation available supported clear, known and measurable expenditures through March 31, 2000 of only $1,242,314 for IS implementation costs and $256,233 for other business process implementation costs. (Id. at 18)

iii. IP's Implementation Costs

Based on its interpretation of the known and measurable standards, Staff proposes to limit IP's implementation cost recovery to expenses incurred for outside contract labor. Staff states that IP's response to a data request indicated that, "Staffing contractors at a level of 45% is part of the application development staffing strategy to handle the peaks of work in 1999 and 2000. This strategy precludes the need to lay off IP employees when deregulation and merger work is complete." According to Staff, IP provided no evidence indicating the hiring of new employees with specific unbundling responsibilities. Staff indicates that without evidence of additional workers hired, it assumed and concluded that IP relied solely on its regular and continuing workforce for in-house unbundling efforts. (Id. at 18-19)

According to Staff, IP contended that because current employee responsibilities may have been linked to unbundling, associated costs were beyond the scope of DST rates. Staff responds that this assumption is incorrect. Staff claims that regardless of project assignment, all associated labor costs were regular labor costs; employees were hired to perform whatever duties IP required. In the case of IP's in-house Information

Technology employees, Staff argues that the associated costs were part of the DST revenue requirement and are currently recovered. Staff indicates that IP's DST revenue requirement recovers all labor costs associated with regular and continuing workforce. Staff concludes that recovery of additional in-house unbundling labor costs is entirely inappropriate. (Id. at 19)

Staff concludes the amount of IP implementation costs that are known and measurable is $514,689. (Staff Ex. 15.0 at 6)

iv. Ameren's Implementation Costs

Staff concludes that $477,000 of expenses incurred by Ameren for implementing meter unbundling are known and measurable since they were supported by invoices. Staff witness Hathhorn recommended disallowing Ameren's request to recover an additional $3,051,000 in implementation costs because the amount could not be verified as known and measurable. Staff claims that Ameren did not provide, as support for such costs, actual expenditures, written contracts, purchase orders, job orders, invoices or other similar evidence of reasonable certainty required for a pro forma adjustment to a historical test year revenue requirement. Using the same allocation ratio presented by Ameren witness Weiss, Staff indicates that its adjustment equates to a $2,568,000 disallowance for CIPS and a $483,000 disallowance for UE. (Id. at 19-20)

Staff contends that Ameren did not timely provide documentation to support the proposed metering unbundling implementation costs. Staff states that Ameren did not provide support for the $3,500,000 estimate, revised from the original estimate of approximately $10,000,000, until five work days prior to the hearing. Staff indicates that the documentation provided at that time included invoices which could have been provided either in February or April in Ameren's data request responses since the invoices had dates as early as December 1999. Staff states that it was necessary to allocate the invoices between several projects to determine the amount related only to meter unbundling, although no such notations or explanations were provided to Staff. Staff claims that Ameren's provision of December 1999 invoices in June of 2000 is ironically identical to Ameren's tactics in the original DST proceedings, where information which was clearly available prior to submission of Staff's direct testimony was not provided until shortly before those hearings. Staff argues that Ameren was not rewarded then, as it should not be rewarded now, for such a strategy. (Id. at 20-21)

Staff asserts that Ameren had ample opportunity to provide the necessary supporting documentation for its metering unbundling implementation costs. Staff argues that instead of cooperating, Ameren chose to use delay tactics. Staff contends that Ameren has not produced a contract for the design of the metering unbundling system as it is now proposed. Staff indicates that Ameren has already once dramatically changed the scope of the project and could do so again. Staff claims that Ameren has not provided a contract with any outside consultants for the $1,500,000 it claims to need for training costs. Staff argues that the little support Ameren did provide came too late in the proceeding to allow for a proper analysis. (Id. at 21-22)

b. The Coalition's Position

The Coalition argues that one of the problems associated with the utilities' asserted implementation costs is the speculative nature of the utilities' estimates. The Coalition states that rather than using verifiable historic expenditures, ComEd, IP and Ameren all propose to recover alleged implementation costs that are primarily based upon estimates of up-front and on-going expenditures. The Coalition claims that such speculative estimates of the implementation costs do not constitute a reasonable basis for rate calculation and should not be included in rates. (Coalition Brief at 15)

The Coalition indicates that the problems associated with relying upon estimates are illustrated by how much the estimated costs have changed over a four month time period. The Coalition states that in Ameren's January filing, its estimated costs were $10.2 million; in its May, 2000 filing, the estimated costs were $3.5 million. The Coalition claims that merely as a result of changing some of the assumptions behind the estimate, Ameren was able to eliminate approximately two-thirds of its estimated implementation costs. The Coalition indicates that large changes in cost estimates also occurred for ComEd and IP. The Coalition argues that the data suggest that the utilities' cost estimates are not reliable for purposes of setting prices. (Id.)

The Coalition indicates that the Commission should not allow the utilities to use speculative implementation costs to impose additional costs upon customers, especially given the utilities' role as a competitor. Even if such revisions merely reflect a "more accurate" understanding of these costs, the Coalition argues that the utilities and the Commission are likely to have an even more accurate understanding when the utilities file future rate proceedings. (Id. at 15-16)

c. ComEd's Position

The implementation costs which ComEd seeks to recover consist of one-time information systems costs of $10,040,000, annual recurring information system costs of $640,000, one-time business process costs of $1,150,000 and annual recurring business process costs of $190,000. (ComEd Brief at 13-14)

ComEd asserts that Section DST.160 does not apply to this proceeding. ComEd argues that Section DST.160 states that it is for use in the first filing of delivery services cases. The present case, ComEd says, is not the first filing of delivery services cases. That filing, according to ComEd, occurred in March, 1999 and such proceedings have been concluded. ComEd avers that there is no basis for Staff even to point to DST.160 as a legal standard in this case. (Id. at 30)

ComEd states that even supposing that Section DST.160 were a principle of substantive law or a rule of evidence, Section DST.160 expressly authorizes "other similar evidence of reasonable certainty." ComEd indicates that there is nothing in Section DST.160 or in any other Section of the MIR that indicates that "other similar evidence of reasonable certainty" does not include sworn testimony and exhibits supported by sworn testimony. (Id.)

ComEd also argues that its evidence complied with Section DST.160. ComEd avers that it submitted uncontradicted sworn testimony and other evidence in support of its pro forma adjustments. ComEd claims its evidence was "similar evidence of reasonable certainty." ComEd states that it submitted a wealth of testimony supported by appendices, schedules, and other exhibits that established that ComEd is incurring and will continue to incur the costs at issue, and that ComEd is entitled to recover these costs. (Id.)

ComEd argues that interpreting Section DST.160 to turn sworn testimony into legally insufficient evidence is illogical, unjust, and unreasonable, especially as applied to costs of ongoing and future activities, such as the costs involved in ComEd's pro forma adjustments. According to ComEd, Staff's gloss on Section DST.160 essentially requires the impossible: that ComEd provide "actual expenditures, written contracts, purchase orders, job orders, invoices" or similar documents for ongoing and future activities. (Id. at 30-31)

ComEd also contends that interpreting Section DST.160 to turn sworn testimony and other legally sufficient evidence into legally insufficient evidence is beyond the Commission's jurisdiction and authority and is contrary to law. ComEd asserts that nothing in the Act gives the Commission jurisdiction or authority to create a new principle of substantive law or rule of evidence. ComEd states that because the Act is in derogation of common law, no requirement to be imposed on public utilities can be read into the Act by intendment or implication. The same necessarily is true of the MIR, according to ComEd. (Id. at 31)

ComEd concludes that under Section 10-101 of the Act and the Commission's rules, sworn testimony is legally sufficient evidence of any relevant fact in a Commission proceeding. ComEd states that Section 10-101 incorporates, among other things, the requirement in Section 10-40(a) of the Administrative Procedures Act, that in contested cases, with exceptions not relevant here, "[t]he rules of evidence and privilege as applied in civil cases in the circuit courts of this State shall be followed." ComEd argues that sworn testimony is legally sufficient evidence in civil cases in the Circuit Courts of Illinois. (Id. at 28-29)

ComEd that Staff's interpretation and application of Section DST.160 is contrary to Section 16-108(c)'s requirements of full recovery of the costs of providing delivery services and of "cost-based" rates. ComEd claims that Staff's misinterpretation and misapplication of Section DST.160 denies ComEd recovery of its costs of providing delivery services and renders ComEd's delivery services charges not "cost-based." (Id. at 32)

ComEd avers that Staff's interpretation and application of Section DST.160 is also contrary to the well-established law that a utility is entitled to recover its costs incurred to comply with legal requirements. ComEd claims that the evidence is uncontradicted that the Act required ComEd to incur its metering service implementation costs. (Id.)

ComEd argues that Staff's interpretation and application of Section DST.160 also is contrary to the law governing the allocation of the burden of proof and the burden of going forward with the evidence regarding a utility's costs. ComEd states that once ComEd presented its prima facie case as to the costs at issue, the burden of going forward with the evidence shifted to objecting parties, who were required to present evidence that ComEd's recovery of these costs would not be just and reasonable. ComEd claims that neither Staff nor any other party met that burden. ComEd argues that Staff's misinterpretation and misapplication of Section DST.160 improperly relieves other parties of their burden of going forward with the evidence. (Id.)

ComEd states that Staff's interpretation and application of Section DST.160 is also contrary to prior Commission orders dealing with pro forma adjustments. ComEd asserts that the Commission previously has held that pro forma adjustments are not to be disallowed "merely because they are based upon something less than absolute certainty." (Citing In re Inter-State Water Co., Commission Docket No. 85-0166, 1986 Ill. PUC Lexis 27 at *25 (Order Feb. 26, 1986). Accord In re Consumers Illinois Water Co., Commission Docket No. 97-0351, 1998 Ill. PUC Lexis 479 at *18 (Order June 17, 1998). ComEd states that the Commission held that "such adjustments would be allowed where they reflect significant changes reasonably anticipated to occur." (Citing In re Inter-State Water Co., 1986 Ill. PUC Lexis 27 at *25.) (Id. at 32-33)

d. IP's Position

IP seeks to recover $1,166,329.39 of implementation costs, consisting of $1,140,405.01 for information technology systems and process changes and $25,924.38 for employee training. (IP Brief at 10-11)

IP argues that there is no need to apply a "known and measurable" standard in this proceeding. IP claims that "known and measurable" is a standard that is applicable in base rate proceedings to determine whether adjustments should be made to the test year data to account for circumstances that will exist in the period during which the newly set rates will be in effect. IP indicates that this is not a rate case and will not result in a general rate increase. Rather, IP asserts that this case is a Commission investigation in which the utilities have been directed to segregate their metering revenue requirement and to implement a new delivery service, unbundled metering. (IP Brief at 14-15)

IP argues that the utilities have not voluntarily chosen to unbundle metering, but have instead been required to do so by the Commission. IP indicates that allowing recovery of the cost of this Commission-mandated activity is only fair. IP further claims that a prohibition on recovery of these costs would amount to a confiscation of utility property. (Id. at 15)

IP asserts that even if a “known and measurable” standard is to be applied, the particular “known and measurable” standard used by Staff witness Everson is not applicable to this proceeding. IP claims that she has applied the more stringent standard that was adopted by agreement for use only in the initial DST rate cases filed in March 1999. IP argues that Staff’s position that this standard should be applied in this case is belied by the clear language of the order in Docket 98-0454 that adopted the MIR. IP states that the Commission was clear in Docket 98-0454 that the MIR was to be used for a specific purpose -- the initial DST cases only. (Id.)

IP further notes that the Commission did not codify this standard in the Illinois Administrative Code in accordance with statutory rulemaking procedures. IP contends that if the Commission were to conclude that the MIR contained in the Docket 98-0454 order should generally be applied in cases other than the initial DST cases, this would amount to an improper adoption of a rule of general applicability, in violation of the Administrative Procedure Act. (Id. at 15-16)

IP indicates that Part 285, which is applicable to general rate increases, states that adjustments may be made when changes are “reasonably certain to occur . . . and the amount of the changes are determinable.” IP states that a utility need not establish with absolute certainty that a change will occur in order for it to be deemed “known and measurable.” IP argues that contrary to Staff witness Everson’s testimony, neither does the MIR require absolute certainty. IP claims that the strict rules such as Staff has proposed here have never been used to evaluate rate case adjustments. (Id. at 16)

IP asserts that application of Staff’s more rigorous standard in this case is particularly unfair since it would prohibit recovery of almost all costs not yet incurred. IP indicates that the costs at issue here only began to be incurred after issuance of the Third Interim Order on December 22, 1999. IP claims that since metering unbundling will not be implemented until January 1, 2001, much of these costs will not be incurred in their entirety until a date well beyond the close of the record in this proceeding. IP states that the Commission must recognize that it may not be possible to have documentation such as contracts or purchase orders for an expense that may not be incurred for another six to nine months. IP argues that adoption of Staff’s position will prevent utilities from recovering at least a portion of their reasonable and prudently incurred implementation costs. (Id. at 16-17)

IP also claims that its estimated implementation costs comply with the MIR’s “known and measurable” standard. DST.160 states that pro forma adjustments to historic test year data to reflect significant changes prior to January 1, 2001 are permissible if supported by “actual expenditures, written contracts, purchase orders, job orders, invoices or other similar evidence of reasonable certainty,” and that the mere “inclusion” of a change in a “budget” is not sufficient to establish recoverability. IP asserts that its estimated costs are not simply budgeted amounts, but are instead supported by actual expenditures and other similar evidence of reasonable certainty, including analyses performed by IP experts. IP claims that it provided evidence of reasonable certainty to support its proposed implementation costs, consistent with DST.160. (Id. at 17)

IP notes that while Staff witness Everson agreed that outside contractor costs should be recovered, she limited recovery of these costs to $514,689, which is the outside contractor cost incurred through April 28, 2000, the date of a data request response used by Ms. Everson to prepare her direct testimony. IP indicates that Ms. Everson proposed the disallowance of additional costs for outside contractors which she acknowledged have been incurred since April 28, 2000 to complete tasks associated with implementation of metering unbundling, as well as costs which are planned to be incurred but have not yet been incurred. IP asserts that it has incurred an additional $36,275.25 for outside contractors through May 31, 2000. IP argues that the Commission should not accept Staff's refusal to review costs that have been incurred prior to the date of the hearing, but subsequent to the review that led to Staff's prefiling of its direct testimony. IP avers that Staff should not be permitted to unilaterally deny expenditures by the simple device of refusing to review them. (Id. at 18-19)

IP disagrees with Ms. Everson's suggestion that the implementation costs associated with IP employees should be disallowed since they are already being recovered through DST rates. IP claims that since metering unbundling was not ordered until after the order was issued in IP's DST case, IP could not have included the cost associated with metering unbundling in its revenue requirement in the DST case. (Id. at 19)

According to IP, Ms. Everson's contention is essentially that since IP employees in the delivery services organization will be performing implementation activities, the Commission need not consider these implementation costs as incremental costs. IP claims that it is contrary to sound ratemaking practice to assume, as Ms. Everson must have, that the existing employees whose costs were included in the DST revenue requirement would otherwise be idle were it not for the unbundling activities. IP argues that this is because only those costs required to provide delivery services were included in the approved DST revenue requirement. IP argues that those employees will be engaging in unbundling activities in lieu of their existing activities. IP asserts that there is an incremental cost associated with these additional tasks, which should be recovered. (Id. at 19)

IP argues that Ms. Everson's rejection of IP's internal labor costs is inconsistent with Staff's position concerning ComEd's estimated implementation costs. IP states that according to Staff witness Gorniak, ComEd justified its internal labor costs for implementation activities on the basis that it employs a small IT staff that it supplements with outside contractors to deal with peaks in work. IP claims that the facts are no different with respect to IP's IT staff. According to IP, unlike Mr. Gorniak, Ms. Everson concluded that, while outside contractors will perform IP's overflow work, the cost of internal employees should not be recovered because they are "regular, continuing employees." IP states that when questioned about this inconsistency, Ms. Everson indicated that she worked independently of Mr. Gorniak. IP contends that disparate treatment of IP and ComEd is not justified. IP argues that since Staff is proposing to allow ComEd to recover the cost of "regular, continuing employees," its comparable costs should also be recovered. (Id. at 20)

IP claims that the hours spent by IP employees through May 26, 2000 to implement metering unbundling represent actual costs incurred that would be unnecessary if the Commission had not ordered that metering be unbundled. IP asserts that this employee time is necessary to modify processes utilized to offer delivery services in order to accommodate unbundling metering. IP argues that no party, including Staff, has taken issue with any of the specific modifications and activities which give rise to these costs. IP claims that it is unrebutted that it will engage in the numerous activities it has identified solely to carry out the Commission's directive that it unbundle metering services. IP asserts that the costs of these activities were not included in the DST revenue requirement, and therefore must be recovered from those customers taking metering service from an MSP. (Id.)

IP indicates that of the $651,640 of implementation costs that Ms. Everson alleges are not known and measurable, $111,541.95 are costs incurred through May 26, 2000 by IP's IT employees to make system modifications and $50,204.40 are costs incurred through May 26, 2000 by IP employees in departments other than IT. IP asserts that these costs have actually been incurred, and are therefore known and measurable. IP indicates that since the implementation efforts are not yet complete, there will be additional expenditures of IP employee time and these costs must also be recovered from customers choosing MSPs. (Id. at 20-21)

IP indicates that Coalition witness Bodmer attempted to discredit the utilities' cost estimates by pointing out that they changed from January to May. IP states that in its case, the estimate declined because IP used the additional time to refine its cost estimates, obtain additional information, meet with MSPs and develop more efficient processes. IP argues that these facts instead establish the reasonableness of the only cost estimate now before the Commission. (Id. at 22)

IP indicates that Mr. Bodmer also took issue with the use of cost estimates for ratemaking. In response, IP claims that he ignored the fact that forecasted test years have been used for ratemaking in Illinois for twenty years. IP argues that this process has served the utilities and the Commission well by mitigating regulatory lag. IP also says that the Commission, the utilities and intervenors have extensive experience dealing with forecasted expenses. IP concludes that estimates of future expenses can be prepared reliably and can be used for ratemaking purposes, and that Mr. Bodmer's concern with forecasting is unwarranted. (Id. at 25-26)

e. Ameren's Position

Ameren seeks to recover $3,528,000 of implementation costs associated with computer system modifications and related activities.

Ameren indicates that since the DST Filing Requirements were adopted for the purpose of the initial delivery service rate proceedings, it is not clear that Section DST.160 should be applied in this proceeding. Ameren argues that in any event, the evidence shows that the adjustments proposed by Ameren in this case do meet the criteria set forth in Section DST.160. Ameren notes that Section DST.160 provides that a utility may propose adjustments for significant changes which are reasonably certain to occur subsequent to the selected test year but prior to January 1, 2001. Ameren argues that DST.160 does not require that a cost be known with absolute certainty. (Ameren Brief at 24-25)

Ameren claims that as required by Section DST.160, the estimate of unbundling implementation costs was based on a "particularized study" of those costs. Ameren indicates that the estimate was based on a detailed analysis of the requirements for system modifications, the number of hours needed to perform the required tasks and the actual hourly labor rates. Ameren further claims that with the exception of the training costs, all of the components of the unbundling implementation costs are supported by actual expenditures or a capital work order. Ameren claims that the components supported by actual expenditures include not only the amount of $476,943 for meter unbundling planning, as recognized by Staff witness Hathhorn, but also $60,860 for AIBS Development, for total actual expenditures to date of $537,903. According to Ameren, the total cost of the activities covered by Capital Work Order 10686 (which Ameren asserts is the equivalent of a "job order"), net of actual expenditures on those activities to date, is $898,425. (Id. at 25)

Ameren argues that training costs are also known and measurable. Ameren indicates that the first component of training costs, which involves the development and preparation of materials for courses in four functional areas and the training of Ameren personnel who will conduct each of those courses, will be performed by an outside consultant. Ameren states that the hours for this component are based on best estimates developed in consultation with Andersen Consulting. Ameren indicates that the estimated cost for this component ($1,531,800) is calculated by multiplying the hours by the average hourly fee of the Andersen personnel who will be involved in the process. Ameren states that the second component is the training courses in the four functional areas for the Ameren employees who will be involved in metering unbundling processes. Ameren indicates that the total cost of this component is calculated by multiplying the hours of training by the actual labor rate applicable to the employees involved in the training process. (Id. at 25-26)

Ameren contends that the actual expenditures, capital work order and particularized study of training costs it presented all constitute evidence that the implementation costs in the amount of $3,527,000 are "reasonably certain to occur." Ameren also notes that the detailed process that it used to develop the estimate of unbundling implementation costs is the same process that was used to develop the estimate of DST implementation costs of approximately $30 million presented in Docket 99-0121. Ameren indicates that the actual amount of DST implementation costs incurred was $27,967,547. This actual experience, Ameren argues, confirms the accuracy of the methodology analyzed by Ameren to develop estimates of system modification costs and constitutes further evidence that the unbundling implementation costs reflected in the proposed adjustment are "reasonably certain to be incurred." (Id. at 26)

In response to the Coalition's assertion that implementation costs are speculative in nature, Ameren states that the reduction from the original estimate of approximately $10 million is due to a change in the approach which Ameren adopted in an effort to minimize the potential rate impact of unbundling. Ameren indicates that it considered two alternatives for handling the meter unbundling implementation: one based on full automation due to high volumes and one based on less automation due to lower volumes. Ameren asserts that the initial estimate of $10.2 million was based on an approach requiring full automation. After further evaluation, Ameren indicates that it decided to implement the less costly, more manual approach at this time in recognition of that fact that competition is likely to develop more slowly in areas served by Ameren than in other areas of Illinois. Ameren argues that the change in the amount of the estimated cost of implementing metering service unbundling does not indicate that either estimate is "speculative." (Id. at 27-28)

f. Commission's Conclusion

The Commission finds that the underlying standards contained in DST.160 should apply in this proceeding. There is clearly a direct relationship between the delivery service rates established last year and the unbundled meter service tariffs at issue in this case. As Staff witness Gorniak testified, when a utility uses an historical test year along with known and measurable changes, the underlying criteria present in DST.160 is historically used by the Commission Staff when examining any evidence submitted by a utility. (Tr. at 1176 and 1433) The Commission sees no reason to depart from such a well-established practice.

The Commission accepts Staff's position that the underlying standard represented in Section DST.160 is applicable in this proceeding and that the recovery of expenses cannot be supported merely through sworn testimony. The Commission already determined that sworn expert testimony, and certainly testimony without documentary corroboration, is not sufficient evidence. (Order in Docket 99-0117 at 16; Order in Dockets 99-0120/0134 at 23; Order in Docket 99-0121 at 47) (Staff Brief at 14) The Commission notes, as have the parties in this case, that utilities are not precluded from seeking recovery of costs determined to be known and measurable in any future proceeding. However, the Commission must, as always, evaluate the reasonableness of any rate a utility proposes based on the record.

ComEd asserts that it will incur one-time implementation costs of $11,190,000 and annual recurring costs of $830,000. These projections were appropriately criticized because they are speculative in nature and because ComEd has made significant changes in its projected costs. Specifically, Staff criticized ComEd's forecasting ability by noting that ComEd originally projected that it would incur one-time information systems costs of $24,000,000, which was reduced first to $12,600,000 and then to $10,040,000. (See Staff Brief at 17) The Commission notes that ComEd offered unpersuasive reasons for the revisions. ComEd stated that the cost estimates declined because it decided to utilize a more manual switching process as opposed to an automated procedure, and refined its information system requirements as a result of workshops with prospective MSPs. (See ComEd Ex. 26.0 at 4 and ComEd Brief at 37-38) ComEd explained that it used the same methodology to estimate the costs associated with unbundling metering service that was applied to estimate the cost of implementing open access of electric power and energy in October 1999. Using that process, ComEd projected total implementation costs of $27.3 million and actually incurred costs of $33.45 million. (See ComEd Ex. 22.0 at 12-13) As Staff argued, that was in excess of an 18% cost estimate error in ComEd's projections. (Staff Brief at 17-18) The Commission finds that ComEd has failed to provide adequate support that all of its projected costs are known and measurable. Therefore, only those costs that have been supported shall be allowed. Those costs include $1,242,314 for IS implementation costs and $256,233 for other business process implementation costs.

Staff adequately explained how the DST revenue requirement could include a representative amount for the cost of IP employees engaging in activities associated with IP's regular business, regardless of individual projects undertaken. The facts between IP and ComEd are quite different and, based upon the evidence in the record, it is reasonable to conclude that IP did not incur actual incremental costs as did ComEd. The Commission concludes, therefore, that only $514,689 of IP’s projected implementation costs of $1,166,329 are known and measurable.

The Commission rejects CILCO’s request for authority to record its implementation costs in a deferred account for recovery in a future proceeding that determines the amount to be recovered and the appropriate cost recovery mechanism. As noted in Staff’s reply brief on exceptions, CILCO’s request was first made in its initial brief. There is no evidence in the record to support CILCO’s request.

The arguments regarding Ameren’s projected implementation costs are similar to those made about ComEd’s. There were well founded criticisms about Ameren’s projections, including the fact that these projections have declined significantly from $10.2 million to $3.528 million. Like ComEd, Ameren responded that its projected cost to implement meter service unbundling declined significantly because it decided to implement a less costly, more manual approach to reflect its expectation that fewer customers are likely to choose an alternate meter provider in the near future. (See Ameren Brief at 27-28) In addition, Ameren states that its estimated meter service unbundling implementation costs were developed using the same process as was used to estimate the DST implementation costs. The Commission is not persuaded by Ameren's arguments. Ameren indicates that it projected DST implementation costs of $30 million, but actually incurred implementation costs of $27,967,547. (See Ameren Brief at 26) Thus, Ameren overestimated its DST implementation costs by approximately 6.8%. This difference demonstrates why the Commission cannot accept Ameren's estimate simply on the basis of sworn testimony. The Commission, therefore, accepts Staff's adjustment and finds that only $477,000 of Ameren's implementation costs are known and measurable and should be recovered from ratepayers.

4. Benefits Realized by Utilities as a Result of Unbundling

a. The Coalition's Position

The Coalition asserts that utilities will realize significant benefits as a result of unbundling. If the Commission authorizes the utilities to recover implementation costs, the Coalition argues that it must also recognize the value of these benefits. The Coalition states that although it is not realistic within the context of the instant proceeding for the Commission to attempt to dissect the ways in which various implementation expenditures will provide competitive benefits, that is precisely the type of review that would occur within the context of a broader rate proceeding. (Coalition Brief at 16)

According to the Coalition, utilities can directly benefit from not having to incur continuing costs of providing metering services; meters that are returned to the utility can be recycled and used to provide service to new customers. The Coalition also claims that utilities have the opportunity to significantly increase shareholder value by providing advanced metering services both in their service territories and in other service territories throughout the country. The Coalition asserts that utilities will gain metering business from customers in other service territories. The Coalition argues that if the utilities are particularly efficient or offer innovative services, they could earn returns well above regulated levels. (Id. at 16-17)

The Coalition contends that utilities can benefit from the capital investments and operating technologies that new MSPs make in metering technology. The Coalition argues that these expenditures made by MSPs will move utilities toward more cost efficient and capable services. The Coalition claims that as monopoly suppliers of delivery services, the utilities will be exposed to all of the cutting-edge technology employed by MSPs. The Coalition asserts that if systems are developed whereby the host utility can efficiently work with information from an MSP, the same systems may allow the host utility to efficiently work with metering information in other service territories. (Id. at 17)

In response to the utilities' assertion that none of the estimated implementation costs would have been incurred if the Commission had not ordered the unbundling of metering services, the Coalition claims the improvements that have been made to the information systems have "subsidiary" benefits resulting from the repair of computer systems that would have been replaced in the future. (Id. at 18) The Coalition asserts that by virtue of having more advanced information systems, future efficiencies can be obtained. The Coalition indicates that if a more sophisticated system is put in place, the operating cost of the system should be lower in the future. The Coalition claims, for example, that the unbundling process can allow ComEd to replace rather old computer systems that are currently being dealt with by a "band aid" approach. (Id.)

Additionally, the Coalition asserts that utilities will receive and continue to receive benefits from the design of information systems. According to the Coalition, ComEd admitted that from a system design perspective, the information systems would allow residential customers to take unbundled metering services. The Coalition also indicates that in developing the designing of information systems, you work with an eye towards the next phase. (Id.)

b. ComEd's Position

ComEd states that Section 16-108 of the Act requires that the Commission permit recovery of costs associated with implementing unbundled metering service. ComEd asserts that the Coalition's criticism of implementation cost recovery because of the existence of a hypothetical set of benefits to ComEd is incorrect. According to ComEd, the Coalition's claim employed a confused and incorrect theory of economic externalities. ComEd states that the Coalition's claims that illusory "benefits" from unbundling metering service justify denial of implementation cost recovery are contrary to Illinois law and the record, and should be rejected. (ComEd Brief at 38-39)

c. IP's Position

In response to the Coalition's claim that utilities could recover their implementation costs through improved efficiency, IP indicates that the Coalition did not quantify any such benefits. IP states that these efficiencies are speculative at best, which means that cost recovery would be unlikely. IP argues that even if some of these supposed benefits were realized, they may not become an economic reality within a reasonable period of time so that utilities are made whole. According to IP, the Coalition wants the utilities to trust that these benefits exist and will be realized in a timely enough fashion to compensate utilities for the time value of the money invested. IP claims that the Coalition's argument puts all the risk on the utilities. (IP Brief at 23)

d. Ameren's Position

Ameren claims its unbundling implementation costs are being incurred solely to implement the unbundling of meter services, and will have no other "subsidiary" benefits or produce any efficiencies unrelated to meter service unbundling. Ameren indicates that the new interactions required between companies to process MSP DASR requests, process maintenance service orders, synchronize meter data among multiple parties, and finally get meter reads from a third party in order to interface with the billing system, will increase the complexity of doing business in general. Ameren argues that this increased complexity will not result in efficiencies. (Ameren Brief at 28)

e. Commission's Conclusions

The Coalition's assertion that utilities must somehow pay for alleged benefits that have not been quantified is rejected. The Commission first notes that the alleged benefits identified by the Coalition are vague and speculative. Underlying some of the alleged benefits is the unsubstantiated assumption that Illinois electric utilities will choose to offer metering services outside their own service territories. Furthermore, the Coalition makes sweeping statements which some utilities have demonstrated do not apply to their specific situations. Finally, even if one assumed that benefits inure to the utilities, the Coalition failed to provide a specific methodology by which the Commission could quantify such benefits and appropriately adjust the metering service charges at issue in this proceeding.

5. Amortization Period for Implementation Costs

a. The Coalition's Position

The Coalition states that the Commission should require the utilities to recover any asserted implementation costs over an extended amortization period. The Coalition contends that a fundamental regulatory principle is that the amortization period of a cost should correspond to the time period over which the item is useful. The Coalition argues that implementation costs associated with unbundling of meter services should be amortized over a long period of time to reflect the fact that competition will provide benefits to all customers for an indefinite period. (Coalition Brief at 21)

The Coalition claims that the costs associated with implementing competition are unlike the typical utility expenditures on software. The Coalition states that while software systems typically have an on-going use but must be replaced periodically, the change from a regulated metering system to a competitive system will occur only once and has benefits that will last for generations. The Coalition argues that the unbundling implementation costs are similar to the goodwill costs that are recorded after a merger. The Coalition asserts that utilities typically use a forty-year amortization period for such goodwill costs. (Id. at 22.)

The Coalition also claims that a longer amortization period will encourage development of competitive markets, will not be unduly burdensome to the first customers to experience competition, and will provide a higher degree of assurance that utility companies can recover costs from all ratepayers. The Coalition requests that the Commission approve a 40-year amortization period if it allows the utilities to recover their asserted implementation costs in this proceeding. (Id.)

b. ComEd's Position

ComEd asserts that in developing its metering service revenue requirement, it properly amortized the one-time information system implementation costs needed for unbundled metering service over five years. ComEd claims that this is reasonable considering that the information systems improvements being constructed and modified are specifically designed to meet the anticipated needs in ComEd's service territory for only the near future. ComEd also indicated that the capitalized information systems implementation costs for metering service have an expected useful life of approximately five years. (ComEd Brief at 39)

ComEd states that its five-year amortization period for the one-time business process implementation costs for metering service is consistent with its amortization period for the information systems implementation costs. ComEd indicates that these are the same periods proposed by it for similar implementation costs in its delivery services revenue requirement, which were approved in Docket No. 99-0117. (Id.)

ComEd states that the computation of the cost of service for a utility is based on the cost of utilities' assets and services over their useful life. According to ComEd, the Coalition's claim that ComEd's costs should instead be amortized essentially over the life of the expected competitive electric service market is at odds with basic ratemaking principles. (Id.)

ComEd states that although the record shows that the useful life of ComEd's capitalized implementation costs is short, the Coalition's proposed amortization period is even longer than the 35 year period used for genuinely long-lived assets like investments in electric distribution equipment. ComEd concludes that the Coalition's recommended 40-year amortization period has nothing to do with ComEd's actual implementation costs, is illogical as a ratemaking matter, and should be rejected. (Id.)

c. IP's Position

IP states that a 40-year amortization period is unreasonable. IP claims that there is no connection between the implementation costs and goodwill. IP further claims that the Coalition is wrong in claiming that implementation costs are unrelated to software and should not be amortized over the five-year period over which software is typically amortized. IP indicates that the vast majority (97%) of its implementation costs are related to modification of computer systems, which have useful lives of far less than 40 years. IP argues that the Coalition's proposal puts all of the risk of recovery on IP, results in an unreasonably excessive cost recovery period, and should be rejected. (IP Brief at 24-25)

d. Ameren's Position

Ameren claims that its proposed five-year amortization period for implementation costs is consistent with the Commission's policy of amortizing computer software development costs over five years. Ameren states that Coalition witness Bodmer did not rely on any Commission orders in support of his proposal and admitted that he is unaware of any Commission orders requiring amortization periods of 40 years for such costs. Ameren argues that given the rapid changes in technology and constant changes being made to computer software, a 40-year life for implementation costs is not appropriate. Ameren indicates that a five-year amortization period is consistent with predominant practice as evidenced by a survey conducted by PricewaterhouseCoopers of Fortune 500 companies. Ameren states that this survey indicated that the majority of companies that amortized computer software costs did so over a period of 3 to 5 years. (Ameren Brief at 29)

e. Commission's Conclusion

The Commission rejects the Coalition's proposal to amortize implementation costs over forty years. The Coalition failed to demonstrate that the specific costs at issue in this proceeding will have a useful life of forty years. The costs incurred by the utilities are primarily related to information technology and training. The Commission does not believe that a forty year amortization period is appropriate for such costs. Furthermore, the Commission does not agree that the implementation costs at issue in this proceeding are similar in nature to goodwill costs associated with mergers.

The record indicates that a significant portion of the implementation costs at issue here are related to computer systems and modifications thereto. The Commission finds that the utilities' proposal to amortize such costs over five years is consistent with its previous treatment of similar costs and should be approved. The record demonstrates that five years is a reasonable estimate of the useful life of computer systems.

6. Customers' Responsibility for Implementation Costs

a. ComEd's Position

ComEd indicates that the Commission's Third Interim Order requires that the sum of the customer charge plus the standard metering service charge equal the same customer charge approved by the Commission in each utility's delivery services tariff case. ComEd contends that this requirement effectively precludes ComEd from recovering its costs of implementing metering service unbundling from all of the non-residential delivery services customers eligible to receive such service beginning January 1, 2001. (ComEd Brief at 48)

ComEd indicates that, consistent with the Commission's Third Interim Order, under its proposed Rate MSPS, only a customer choosing unbundled metering service will pay its pro rata share of implementation costs. ComEd indicates that delivery services customers that continue to receive metering service from ComEd will pay the same delivery service customer charge as they do at the present time, despite the fact that ComEd has and will continue to incur costs to provide them with the ability to choose unbundled metering service. ComEd argues that this approach does not provide a meaningful or proper opportunity to recover costs, and violates the Act. Accordingly, ComEd requests that the Commission permit it to recover unbundled metering service implementation charges in the customer charge of all delivery services customers. (Id. at 49)

b. IP's Position

IP states that both it and ComEd have proposed to reduce the metering service revenue requirement by the amount of implementation costs and include that amount in the non-metering service revenue requirement. According to IP, Staff witness Hendrickson testified that this approach is appropriate since it results in those customers that benefit from unbundled metering, i.e., the customers who choose an MSP, paying for the cost of unbundling. IP states that those customers that continue to take metering service from IP or ComEd pay a total charge that is the same as the customer charge approved in the DST cases. (IP Brief at 21)

IP argues that implementation costs should be recovered from the customers who cause the costs to be incurred, i.e., the customers who choose service from an MSP. IP states that even Coalition witness Bodmer agreed that it is appropriate to require the entities that benefit from these expenditures to pay the costs. IP argues that Coalition witness Bodmer's proposal to recover implementation costs from all customers is just another effort to improve the economics for his clients. (Id. at 24)

IP argues that MidAmerican's recommendation that utilities should be "encouraged" to recover implementation costs as part of an alternative regulation plan filed pursuant to Section 9-244 of the Act is unreasonable, amounts to using a sledgehammer to kill a fly, and should not be adopted by the Commission. (Id. at 26)

IP indicates that Section 9-244 requires a utility to show, in a nine-month proceeding, that its alternative regulation plan is likely to result in rates lower than would have resulted from traditional regulation, and satisfies numerous other criteria. IP argues that such a proceeding would be an extremely cumbersome vehicle for recovery of meter unbundling implementation costs. IP claims that such a process would do nothing but cause utilities to incur unnecessary costs and be faced with delays. (Id.)

IP indicates that filing an alternative regulation plan under Section 9-244, and accepting the plan if the Commission modifies it at the end of the case, is optional for the utility. IP asserts that it would be entirely inappropriate for the Commission to condition recovery of prudently incurred costs, which are being incurred pursuant to a Commission mandate, on the filing of an otherwise voluntary rate plan. (Id. at 26-27)

c. Ameren's Position

Ameren indicates that its unbundling implementation costs are not reflected in the separate rate proposed for meter service (the "Meter Charge"), but rather are in its proposed unbundled DST Customer Charge. Ameren indicates that under its approach, the cost of implementing unbundling is borne by all DST customers, including those who elect to take unbundled meter service from an alternative MSP. Ameren indicates that its proposed meter charges reflect an allocation of the meter-related costs reflected in the DST rates approved in Docket No. 99-0121, without adjustment for the unbundling implementation costs. (Ameren Brief at 21)

Ameren states that the purpose of identifying and separating meter service rates from the remainder of the approved DST rates is to facilitate the Commission's directive that delivery service providers provide DST customers with the opportunity to take meter service on an unbundled basis from alternative MSPs. Ameren states that the Commission's directive was based on findings that customers will benefit from the potential competition in the market for the provision of meter services on an unbundled basis. (Id. at 23)

d. MidAmerican's Position

Although MidAmerican supports allowing utilities a reasonable opportunity to recover the prudently-incurred, verifiable costs of implementing customer choice of meter service providers, MidAmerican does not support the proposals made by any of the parties to this docket. MidAmerican believes that none of the proposals will result in full recovery of implementation costs because of the limited number of customers selecting delivery services or an alternate meter service provider. (MidAmerican Ex. 12.0 at 10, MidAmerican Brief at 20)

MidAmerican believes that recovery of the costs of implementing competition for metering services should be allocated to the widest possible customer base because all customers will reasonably be expected to benefit from the ability to choose a meter service provider. MidAmerican proposes that delivery service providers be encouraged to file for recovery of implementation costs as part of an alternative regulation plan through a rider that would apply to all customers. MidAmerican notes that its proposal would allow for recovery of these costs from bundled service customers as well as from delivery service customers. MidAmerican argues that such a broad-based recovery would ensure that no barriers to selection of delivery service or selection of an alternate meter service provider are created. (Id. at 20-21)

e. The Coalition's Position

The Coalition contends that all utility customers will benefit from the innovation and efficiencies that competition in metering services will bring to Illinois. The Coalition argues that the Commission should not allow the utilities to impose implementation charges that differentiate prices between customers who choose MSPs and customers who retain the host utility for metering services. The Coalition indicates that the Commission should direct the utilities to submit tariffs in future rate proceedings that do not discriminate and instead charge all implementation costs uniformly to all customers. The Coalition states that this approach would increase all delivery service rates by an amount equal to the costs of implementing unbundling of metering and would not impose the costs only on those customers who choose to switch to an MSP. (Coalition Brief at 19-20)

In considering regulatory treatment of the utilities' proposed implementation charges, the Coalition argues that it is important for the Commission to keep in mind that as delivery services become competitive and the systems become more efficient, all customers will benefit. The Coalition indicates that the benefits of an implementation cost expenditure cannot be traced to specific customers as may be the case with other outlays. According to the Coalition, implementation costs are incurred to move from a monopolistic system to a competitive framework that will increase efficiency and will yield benefits to the entire residential, commercial, governmental and industrial customer base. (Id. at 20)

The Coalition asserts that unbundling of metering services will even provide benefits to customers who do not choose MSPs because elimination of the utilities' monopoly on metering services puts pressure on the host utility company to improve service, provide innovations and lower costs. The Coalition argues that even if customers do not initially select an MSP, the option they have to choose an MSP is of value. The Coalition concludes that the broad range of benefits that will affect all customers suggests that implementation charges should be imposed on the entire customer base, rather than only on customers who choose MSPs in the beginning of the process. (Id. at 20-21)

f. Staff's Position

While opposing the inclusion of implementation costs in the design of unbundled rates, Staff recognized the possibility that they may, nevertheless, be accepted by the Commission. As a result, Staff reviewed the various approaches for recovering implementation costs proposed by the utilities.

Staff notes that Ameren proposes to add its implementation costs to the metering charge portion of the customer charge for each class. Staff indicates that this treatment effectively increases the customer charge revenue requirement and the total customer charge for each customer class. According to Staff, increasing the total customer charge for each customer class is not the preferred treatment, as noted in the Third Interim Order at page 50.

Staff indicates that both ComEd and IP proposed a rate treatment for implementation costs that would not increase the total customer charge for each class as determined in the delivery services dockets. Staff indicates that these utilities propose to reduce the metering services charge, and increase the non-metering services charge, by the amount of the allocated implementation costs. This proposed treatment does not increase the total customer charge, but has the effect of charging the implementation costs to those customers who choose an alternative meter service provider. (Staff Brief at 55-56)

Staff supports the Com Ed and IP proposals if the Commission approves the recovery of implementation costs. Staff indicates that its acceptance of this treatment of implementation costs applies only in this docket because of the Commission restriction that the total customer charges should not be increased above those that were approved in the delivery services dockets. (Id.)

g. Commission's Conclusion

In its Third Interim Order, the Commission indicated its preference that charges for customers currently taking delivery services not increase as a result of unbundling metering services. While there is some merit to the position that all delivery service customers benefit from the opportunity to choose an alternate provider of metering services, the current circumstances require that the customer charge for existing delivery service customers be maintained. Because many delivery service customers may have no interest in taking metering services from an alternate provider and given the Commission's statements in the Third Interim Order, the Commission finds that it would be inappropriate to increase delivery service customer charges as a result of this proceeding.

The recovery mechanisms proposed by ComEd and IP are approved. Ameren is directed to revise its tariffs to reflect the recovery approach adopted herein. That is, Ameren is directed to file tariffs that impose implementation cost recovery on only those customers that choose to take metering services from an alternate provider.

The Commission notes that any utility is free to file an alternative regulation petition under Section 9-244 of the Act. Since the Commission, however, does not have statutory authority to force a utility to do so, and utilities are entitled to an opportunity to recover reasonably incurred implementation costs, regardless of whether they choose to file such a petition, the Commission cannot act on MidAmerican's proposal regarding cost recovery.

C. Impact of Implementation Costs on Transition Charges

1. The Coalition's Position

The Coalition raises the issue of revisiting the transition charge ("TC"). According to the Coalition, in order to set equitable rates for both customers who select alternative MSPs and customers who retain the host utility company for metering service, the Commission should revise the TC. (Coalition Brief on Exceptions at 17)

The Coalition asserts that customers are interested in the overall level of their bill, including transition charges, delivery services charges and market based generation prices. If delivery services charges for both bundled and unbundled customers are slightly increased to recover implementation costs, but the TCs are reduced in the same magnitude, the Coalition asserts that customers generally will be indifferent during the period in which TCs are in place. (Id.)

The Coalition argues that if delivery services charges are increased and transition charges are reduced, customers who use alternative MSPs and customers who retain the host utility company for metering services will pay the same transition charge. The Coalition states that in developing the transition charge calculation, the delivery services revenue deduction should include both the customer charges that do not include metering service charges as well as the metering service charges. Lastly, the Coalition argues that the delivery services revenue deduction from base rates in computing the transition charge should be the same whether or not a customer selects an alternative MSP. The Coalition requests that the Commission revisit the issues addressed in its Third Interim Order in this docket and require the utilities to adjust their delivery services rates and TCs for all customer classes to reflect the implementation costs. (Id. at 18-19)

2. ComEd's Position

ComEd notes that as an alternative to disallowing ComEd's implementation costs for unbundled metering services, the Coalition claims that the HEPO should be revised to require utilities to adjust their delivery service rates and TCs for all customer classes to reflect implementation costs. ComEd indicates that this proposal has some merit. (ComEd Reply Brief on Exceptions at 40)

ComEd states that the Commission's Third Interim Order in this docket requires that the sum of the customer charge plus the standard metering service charge equal the same customer charge approved by the Commission in each utility's delivery services tariff case. ComEd asserts that this requirement in the Third Interim Order effectively precludes recovery of its costs of implementing metering service unbundling from all of the nonresidential delivery service customers eligible to receive such service beginning January 1, 2001. (Id. at 40-41)

ComEd indicates that in being consistent with the Commission's Third Interim Order, under ComEd's Rate MSPS as approved in the HEPO, only a customer choosing unbundled metering service will pay its pro rata share of implementation costs. ComEd notes that delivery services customers that continue to receive metering service from ComEd will pay the same delivery services customer charge as they do at the present time, despite the fact that ComEd has and will continue to incur costs to provide them with the ability to choose unbundled metering service. (Id. at 41) ComEd asserts that this is not a meaningful or proper opportunity to recover costs, and violates the Act. ComEd requests that the Commission permit it to include recovery of unbundled metering service implementation charges in the customer charge of all delivery service customers. If ComEd's exception in this regard is approved, ComEd claims that it would then be correct to adjust the transition charges for delivery service customers to reflect the change in the delivery services charge. Accordingly, if the Commission approves ComEd's proposal to adjust all customer charges as discussed herein, ComEd does not object to reflecting such changes in the computation of transition charges. (Id.)

3. IP's Position

IP notes that the Coalition contends that the Commission should revise the HEPO so as to direct the utilities to change the manner in which the transition charge is calculated in connection with the implementation of meter unbundling. IP states that this topic was litigated in the first phase of this docket, and in the First Interim Order, the Commission ruled that a delivery services customer should pay the same transition charge regardless of whether the customer is taking all delivery services components from the utility or is taking an unbundled delivery services component from an alternate provider. IP stated that while it does not agree with the result reached by the Commission on this issue in earlier orders, it would not present evidence on this issue in this phase of the docket. (IP Reply Brief on Exceptions at 15)

IP reiterates that since the Coalition has raised this issue, and so that there is no question of waiver should IP seek rehearing or judicial review, its position is that if a delivery services customer takes unbundled metering from an MSP, the delivery services revenue deduction in the customer's transition charge calculation should be reduced by the amount of the applicable metering charge in IP's delivery services tariff, which that customer will no longer be paying to IP. IP argues that the transition charge calculation in Section 16-102 of the Act is a "lost revenues" approach that is designed to provide an amount to the utility approximating the lost revenues (less the "mitigation factor") which the utility experiences if a customer switches to an alternate provider. IP states that the delivery services revenue which the customer will pay to the utility is deducted from base rate revenues in the transition charge calculation because delivery services revenues offset the revenues otherwise lost by the utility when the customer switches to the alternate provider. According to IP, the market value of the electric power and energy the utility would have used to serve the customer is deducted from base rate revenues in the transition charge calculation, because the utility can resell that energy at market price to offset its lost revenues. (Id. at 16)

4. Staff's Position

Staff continues to disagree with the Coalition's position that all delivery services charges should be increased to reflect implementation charges. According to Staff, the Commission's Third Interim Order clearly states that the TC should not be increased within the context of this proceeding. (Third Interim Order at 49) Staff asserts that if the customer charge is not increased, then there is no impact on the TC and the Coalition's arguments to reduce the TC become moot. (Staff Reply Brief on Exceptions at 7)

5. Commission's Conclusion

In both the Interim Order and the Third Interim Order in this proceeding, the Commission has concluded that utilities cannot increase the transition charge to off-set lost revenues associated with unbundled delivery service charges. Except for some brief testimony from the Coalition and ComEd, no new evidence was introduced in this phase of the proceeding concerning transition charges. All other parties tacitly acknowledged that the issue had been decided and saw no need to relitigate the issue. The Commission concludes again that utilities cannot increase the transition charge to off-set lost revenues associated with unbundled delivery service charges.

The Commission finds that the Coalition's proposal to increase delivery services revenues and reduce transition charges in a like manner is inappropriate. The Third Interim Order indicated a preference that unbundled delivery service rates produce, when added together, the delivery service rates that are currently on file. (Third Interim Order at 50) The Coalition's proposal is inconsistent with this previous finding. Furthermore, decreasing one charge and increasing a different charge in the same amount would not provide electric utilities the opportunity to recover implementation costs.

IV. METERING COSTS AND RATES

A. ComEd

1. ComEd's Position

To unbundle the price of metering service from the price of other delivery services, ComEd separated the monthly customer charge into two components: a standard metering service charge ("SMSC") and a monthly customer charge for the remaining customer-related delivery services costs. A delivery services customer will pay the separate charge for metering service when the customer takes metering service from ComEd. Should the customer select an MSP to provide metering service, this charge will not apply to the retail customer. (ComEd Brief at 10)

ComEd used the existing Rate RCDS customer classes to unbundle the price of metering service provided to each customer class. No party has contested ComEd's customer class designations. ComEd indicates that it complied with the Third Interim Order by performing a specific analysis that identified all costs contained in ComEd's delivery services revenue requirement related to the provision of metering service. (Id. at 10-11)

ComEd indicates that it started with the embedded cost study that the Commission approved in Docket No. 99-0117, and analyzed all of the FERC accounts containing costs allocated to the delivery services function for their potential application to metering service. In some cases, ComEd says an account was either included or excluded in its entirety because all of the costs that it contains are either clearly part of or not part of metering service. In other cases, ComEd indicates a function by function analysis of the costs recorded in a particular FERC account was performed because that account contained costs that were both part of and not part of metering service. (Id. at 11)

The costs determined to be part of metering service were then assigned to each customer class in a manner consistent with the approved embedded cost study. In this manner, a revenue requirement for each class was obtained that provided the embedded cost per month for metering service on a per customer basis in each class. (Id.)

According to ComEd, Staff accepts ComEd's FERC account cost allocations for nearly all the accounts and functions within those accounts involved in this proceeding. ComEd indicates that for three specific accounts, FERC Accounts 580, 590 and 901, Staff claims that an estimate using "general allocators" should be used, and that ComEd's detailed line-by-line cost study should be rejected. (Id. at 16)

ComEd claims that the Commission's Third Interim Order required, at Staff's urging, that utilities present detailed studies allocating costs between meter and non-meter functions, starting from the delivery services revenue requirement approved by the Commission in their delivery services rate cases. Direct assignment, ComEd argues, is the most accurate method for assigning costs. ComEd asserts that it used a direct assignment method because the level of cost detail needed to make direct assignments was available. According to ComEd, when such level of detail is available, direct assignment is preferable to the use of a general allocation methodology. ComEd also states that Staff witness Lazare admitted on cross-examination that he had previously testified that directly assigning costs to a function is a more accurate approach than allocating costs based on general allocators. (Id. at 18)

Staff claims that ComEd's direct assignment for Accounts 580, 590, and 901 should be rejected because it gave Staff an "information overload" concerning these accounts. Staff's "information overload" claim, ComEd argues, proves that ComEd has provided more than sufficient evidence concerning the three FERC accounts. In addition, ComEd claims that its evidence was not an "overload" at all. ComEd indicates that its entire cost study and work papers for all of the FERC accounts in this case, not just the three contested ones, amounted to the 74 pages of material consisting of ComEd Exhibits 19.1 and 19.2. ComEd indicates that when Staff witness Lazare visited ComEd and asked for the detailed support for the direct assignment treatment of the three disputed FERC accounts, it made available to him the detailed information contained in microfiche from ComEd's accounting records. ComEd argues that Mr. Lazare's own testimony shows that ComEd presented a careful cost study supported in full by its ordinary business records. (Id. at 18)

According to ComEd, Mr. Lazare did not point to a single inaccuracy in ComEd's study, or offer any accounting analysis for rejecting ComEd's treatment of the three FERC accounts. Com Ed says that Staff's claim of an "information overload" boils down to an assertion that Staff did not have a full opportunity to review ComEd's cost study concerning the three disputed accounts. ComEd asserts that Staff had an abundant opportunity to make its investigation and was provided all of the information it requested from ComEd. ComEd emphasizes that Staff had four months since the January filing of the ComEd cost study to review the information provided, and that its personnel have stood ready to respond to data requests or meet to discuss the information presented in the cost study. ComEd states that Mr. Lazare did not submit any data requests with respect to ComEd's cost study, and spent less than two hours discussing the study with ComEd personnel. (Id. at 18-19)

ComEd states that Mr. Lazare's claim that he suffered from an "information overload" is not legally relevant to this case. ComEd indicates that the relevant question is whether ComEd produced sufficient evidence concerning the three FERC accounts upon which the Commission can find such costs to be accurate and reasonable. ComEd asserts that it has more than met its obligation in this respect, and its cost study should be approved. (Id.)

ComEd contends that Mr. Lazare's dismissal of direct assignment for these three accounts is contradicted by Staff's acceptance of direct assignment for other ComEd direct O&M expense accounts, including FERC Account 903 for which Staff accepted the assignment of eight of 96 functions and $5,978,336 of $81,030,987 to metering service. (Id.)

ComEd argues that its direct assignment approach for FERC Accounts 580, 590 and 901 is consistent with the Commission's Order on Rehearing in ComEd's delivery services rate case, Docket No. 99-0117. ComEd indicates that the Order on Rehearing expressly approved ComEd's detailed direct assignment of costs in particular FERC accounts. ComEd states that the Commission's Order on Rehearing in Docket No. 99-0117 constitutes the Commission's latest word on using direct assignment. (Id. at 20)

ComEd asserts that Coalition witness Bodmer presented distorted economic claims inflating ComEd's costs of metering service. ComEd claims that Mr. Bodmer's testimony violated basic concepts of regulatory economics and ratemaking. (Id. at 21-22)

ComEd asserts that Mr. Bodmer's claim that its embedded metering charges are too low is based on his fallacious concept of competition. ComEd contends that he confuses what may be good for a new market entrant (i.e., the highest possible metering credit provided by the utility) with what is good for consumers, which is genuine competition. According to ComEd, Mr. Bodmer's statements about how the Commission should act are neither based on factual evidence, nor based on the embedded costs of the unbundled services at issue. ComEd asserts that his statements constitute vague and unsubstantiated appeals to keep the charges high to facilitate the entry of new metering suppliers, whatever the cost to consumers. (Id. at 22)

ComEd claims that its costs are by definition unique to it, and are different than the costs of other utilities. ComEd contends that its embedded cost level for metering service is comparatively low because it serves many customers in a densely populated area and has efficient metering operations, achieving economies of scope and scale as the largest electric utility in the state. ComEd indicates that the various electric utilities in Illinois have different costs and different customer profiles. The Coalition, ComEd avers, offered no support for its claim that ComEd should explain the differences between its metering service costs and other companies' costs, rather than demonstrate the accuracy of its own costs. (Id. at 22-23)

ComEd states that the Third Interim Order required that ComEd provide its unbundled metering service charges based upon analysis of ComEd's own costs, not those of other utilities. ComEd concludes that the Commission should reject Mr. Bodmer's proposal that ComEd's metering service rates be based on the average of the costs of other Illinois electric utilities. (Id. at 23)

ComEd asserts that the advanced metering service to be provided by MSPs is fundamentally different than the standard metering service provided by ComEd. ComEd states that by definition, the advanced metering systems to be used by MSPs will be read without an on-site visit. ComEd indicates that advanced metering can be read as frequently as desired by the MSP and that the MSP can offer a great deal of detailed information to customers more frequently and in a more timely manner than is normally the case. ComEd indicates that the MSP can also combine more frequent meter reading with internet technology and provide the customer with access to its meter usage data in a near real time environment, if the customer is willing to pay for such a service. ComEd asserts that advanced metering service by MSPs does not directly compete with utilities' metering service that is based on monthly manual meter reads. Therefore, ComEd concludes that Mr. Bodmer's assertions that ComEd's metering service cost needs to be driven up and inflated in order to provide for competition is incorrect from an economic competition perspective. (Id. at 24)

2. Staff's Position

Staff asserts that the definitions provided by FERC provide the starting point for allocating each of the accounts in question. Staff provided the FERC definitions for Accounts 580, 590 and 901, the treatment of which are in dispute with ComEd.

> Account 580 - Operation Supervision and Engineering expenses:
>
> This account shall include the cost of labor and expenses incurred in the general supervision and direction of the operation of the distribution system. Direct supervision of specific activities, such as station operation, line operation, meter department operations, etc. shall be charged to the appropriate account.
>
> Account 590 - Maintenance Supervision and Engineering expenses:
>
> This account shall include the cost of labor and expenses incurred in the general supervision and direction of maintenance of the distribution system. Direct field supervision of specific jobs shall be charged to the appropriate maintenance account.
>
> Account 901- Supervision (customer accounting and collecting):

> This account shall include the cost of labor and expenses incurred in the general direction and supervision of customer accounting and collecting activities. Direct supervision of a specific activity shall be charged to account 902, meter reading expenses, or account 903, customer records and collection expenses as appropriate.

(Staff Initial Brief at 23-24)

Staff claims that it is evident that at least some portion of Accounts 580, 590 and 901 should be allocated to unbundled metering since a share of the corresponding direct expenses related to each of these accounts has been allocated in part to unbundled metering. The definitions suggest to Staff that the allocation of Accounts 580, 590 and 901 to unbundled metering should be based on the overall allocation of the expenses to which each is related. If these accounts are generally, rather than specifically, related to a set of direct expenses, Staff concludes that the sum total of the allocation of the associated direct expenses to unbundled metering should guide their allocation. So, for example, the allocation of Account 580 should follow the allocation of Accounts 581-589; Account 590 should follow Accounts 591-598, and the allocation of Accounts 901 should reflect the allocation of Accounts 902-904 to unbundled metering. (Staff Brief at 23-26)

Staff indicates that only two of the eight utilities in this proceeding took issue with Staff's proposed allocation approach. Staff claims that the wide acceptance by utilities provides a strong foundation for using the Staff costing methodology to unbundle metering services for all utilities in Illinois. (Id. at 26)

Staff indicates that ComEd proposed its own unique costing approach which is based on what Staff calls "the flawed direct assignment methodology". Staff claims this approach was roundly rejected by the Commission in ComEd's recent delivery services proceeding. Staff states that ComEd's method purportedly seeks to break down individual accounts into component parts and then individually assign the components to unbundled metering based upon cost causation. Staff indicates that the evidence ComEd provided in support of its method includes descriptions of dozens of cost sub-accounts that allegedly clarify the relationship of these accounts to unbundled metering. Staff indicates that ComEd proposes to allocate no Account 580 and 590 costs to the meter function, but a greater share of Account 901 to unbundled metering than proposed by Staff. Staff asserts that ComEd's proposed approach is based on the unfounded notion that greater detail in the analysis ensures a more accurate result. Staff asserts that it has demonstrated in this proceeding that the quality, not the quantity, of the information is paramount and, based on this standard, ComEd's approach fails the test. (Id. at 26-27)

ComEd's approach, according Staff, created an information overload that simply cannot be verified within the context of a proceeding such as this. Staff indicates that the support ComEd provided for its proposed treatment of these accounts is highly detailed and yet incomplete. Staff indicates that the detail provided by ComEd includes descriptions of more than 50 sub-accounts for Account 580; 25 sub-accounts for Account 587 and 13 sub-accounts for Account 590. Staff argues, however, that detail does not constitute convincing evidence. For example, Staff indicates that the 580 sub-account "Training Program Administration - Distribution Facilities under 69kv", includes according to ComEd, "payroll and other general costs incurred to administer training programs, including records management, scheduling and reproduction, as well as purchase of minor equipment to be used for multiple programs". Based on this description, Staff asserts that it is not clear whether the sub-account includes a metering component. Staff claims that other expenses such as "Supervision and General", "Other General Costs", and "Computer Services" cannot be verified as non-metering costs based on the descriptions provided in ComEd's filing. (Id. at 27-28)

Staff indicates that Account 587 "Customer Installation Expenses" includes, for example, costs associated with investigating complaints of "noisy meters." Staff asserts that based on the information ComEd provided, these costs appear to bear some relationship to the meter function. Despite this, Staff indicates that ComEd did not include any costs in this account. (Id. at 28)

Staff asserts that ComEd's direct assignment approach is internally inconsistent because it is selectively applied to a limited number of carefully chosen accounts. Staff indicates that for the large majority of accounts, ComEd used general allocation rather than direct assignment. Staff asserts that ComEd's proposed approach conflicts with the functional allocation methodology approved in ComEd's most recent DST proceeding in which the Commission rejected ComEd's proposed detailed direct assignment approach in favor of general allocators for these costs. (Citing Docket No. 99-0117, Order at 11 and 27) Staff argues that adopting ComEd's detailed approach in this proceeding would represent an about-face for the Commission from its prior Order. (Id. at 28)

Staff argues that adopting ComEd's proposal would produce non-uniform ratemaking compared to other utilities in Illinois. Staff indicates that no other utility in this proceeding adopted the direct assignment approach, choosing instead to use general allocators. (Id.)

Staff indicates that while it and ComEd reached similar conclusions on the allocation of numerous distribution accounts, Staff's conclusion is based, not on ComEd's flawed direct assignment approach, but rather on Staff's general allocation methodology. Therefore, Staff disputes ComEd's assertion that Staff took an inconsistent approach by rejecting the Company's direct assignment of Accounts 580, 590 and 901, while accepting the Company's direct assignment for other accounts. (Id. at 29)

Staff claims that the four months it had to perform its analysis was insufficient to evaluate the "morass" of information underlying ComEd's proposed direct assignment analysis. Staff indicates that the supporting information, which is stored on microfiche, consists of thousands of expenditures broken down by month. To review and verify those numbers for the purpose of direct assignment to unbundled metering, Staff argues, would require far more than the four month period between ComEd's initial filing and Staff direct testimony in this case. (Id.)

Staff recommends that adjustments be made to ComEd's metering services revenue requirement for accounts 580, 590 and 901 and to the corresponding metering services labor allocator for these same accounts. Staff indicates that these adjustments are included in its recommended metering services revenue requirement presented in Staff Ex. 12.3. Staff recommends that the Commission accept this revenue requirement as the foundation for developing unbundled metering charges. (Id. at 34) Based on its review of ComEd's information and class cost of service study, Staff recommends that ComEd's rate design approach (with the exclusion of implementation costs) be accepted for ratemaking in this proceeding. Staff recommends that ComEd be directed to file compliance rates in accordance with Staff's recommended adjustments to ComEd's functional allocation study exclusive of implementation costs. (Id. at 43)

Staff indicates that Coalition witness Bodmer provided a comparison of meter services costs for the Illinois electric utilities as support for his conclusion that ComEd's calculation of metering costs was inaccurate. Staff indicates that Mr. Bodmer simply theorized that the comparison showed that ComEd was trying to keep its metering services costs low so that the metering services credit would be low. Staff notes that Mr. Bodmer recommended that ComEd's metering services charge be an average of the charges of the other utilities. Staff argues that this approach does not follow accepted rate making principles. Staff indicates that Mr. Bodmer did not contend that Staff's analysis and review of ComEd's metering services costs was inadequate or incorrect. For these reasons, Staff recommends that Mr. Bodmer's proposals be rejected by the Commission. (Id. at 35)

3. The Coalition's Position

The Coalition claims that ComEd improperly has attempted to reduce the credit for choosing an alternate meter provider by artificially reducing its asserted meter services charges. The Coalition asserts that since ComEd has failed to justify its proposed credit, the Commission should direct ComEd to recalculate it. (Coalition Brief at 28)

The Coalition states that ComEd's proposed metering service charge should include all costs related to metering. The Coalition asserts that while ComEd appears to have included the most obvious cost items associated with metering in its embedded cost analysis, other appropriate metering costs seem to have been excluded. The Coalition indicates, for example, that ComEd did not include costs of testing meters for tampering, replacing fuses in sealed meter boxes and installing check meters for load factor tests. ComEd's artificially low credit, the Coalition argues, is in part due to ComEd's failure to use the general allocators advocated by Staff. The Coalition asserts, however, that even taking the "general allocator" adjustment into account, ComEd's proposed credit is still inappropriately low when compared to the credits of other Illinois utilities. The Coalition claims that because ComEd has repeatedly refused to justify this difference, the Commission should reject ComEd's proposed credit and direct ComEd to calculate its credit based upon the average of the credits reported by the other utilities. (Id. at 28-29)

The Coalition indicates that pursuant to Section 9-201 of the Act, ComEd bears "the burden of proof to establish the justness and reasonableness of the proposed rates, charges, classifications, practices, rules or regulations, in whole or part, ..." The Coalition asserts that ComEd has failed to demonstrate that its proposed credit is reasonable. The Coalition indicates that it compared ComEd's proposed credit to the credits proposed by the other Illinois utilities to test whether ComEd's credit appeared reasonable on its face. The Coalition asserts that ComEd failed the test since its proposed credit is only a fraction of those proposed by the other utilities. The Coalition claims that ComEd failed to perform any meaningful analysis to justify this difference. Instead, the Coalition indicates that ComEd made the bare assertion, without performing any study or detailed analysis, that the difference is based upon "economies of scope and scale." According to the Coalition, ComEd witness Crumrine could not identify a single specific cost where there were economies of scope or scale. (Id. at 29-32)

The Coalition indicates that ComEd's total metering cost is $2.65 per customer, as compared to the metering costs of $4.10 for MidAmerican, $6.44 for IP and $6.49 for Alliant. The Coalition asserts that ComEd proposed a relatively small credit for large customers, while Alliant (Interstate Power) has a more consistent and favorable pricing credit across all of its customer groups. (Id. at 33)

The Coalition claims that the reasons for ComEd's low calculation are unclear. The Coalition suggests that one reason might be the fact that ComEd employed a methodology that credited revenues from non-standard service. The Coalition suggests that another reason might be that ComEd does not include some metering functions that most of the other utilities included in the embedded cost analysis, such as costs related to meter tampering. In any event, the Coalition argues that the Commission should have serious questions regarding why the highest cost utility in the state has asserted embedded costs that are significantly lower than the costs reported by all the other utilities. (Id.)

The Coalition indicates that Staff properly recommended that the all of the utilities use the general cost allocators that were approved in the utilities' recent DST proceedings for the calculation of the metering service revenue requirements and the associated credit. The Coalition indicates that in a thinly-veiled attempt to reduce the credit, ComEd has proposed to use a virtually unverifiable function-by-function analysis instead of the general allocators. The Coalition concludes that the Commission should reject ComEd's anti-competitive proposal and direct ComEd to recalculate the credit using Staff's general allocators. (Id. at 30)

According to the Coalition, ComEd improperly asserts that use of the direct assignment approach is the preferred approach or "latest word" from the Commission. The Coalition claims that the Commission's so-called latest word only addressed the proper allocation of sales and marketing expenses in FERC Accounts 911-912 in the Order on Rehearing in Docket No. 99-0117. The Coalition asserts that ComEd admitted that general allocators and labor allocators were utilized for a whole host of other revenue requirement expenses in Docket No. 99-0117. (Id. at 30-31)

If ComEd's proposed methodology were approved, the Coalition claims that the decision of whether to utilize a direct assignment methodology would be solely within the discretion of the utility. According to the Coalition, ComEd indicates that the direct assignment method should be utilized whenever there is a "sufficient level of detail." The Coalition says that ComEd could not identify any objective means upon which to determine whether a sufficient level of detail exists. The Coalition argues that under ComEd's theory, ComEd would be able to compare the results using the direct assignment methodology and the general allocator methodology and then use whichever method best suited ComEd's economic self-interest. (Id. at 31)

The Coalition states that all of the other utilities utilized a general approach in determining the metering service revenue requirement. Absent a compelling reason, the Coalition says the Commission should require the same methodology for all utilities. (Id.)

4. Commission's Conclusion

As a general proposition, the Commission believes that direct assignment of costs is superior to the application of general allocators if the costs are suited to direct assignment and sufficient cost data is available to make direct assignments. In this proceeding, rather than assert that insufficient cost data is available to make direct assignments, Staff asserts that too much cost data is available.

The Commission notes that it is not entirely clear if Staff objected to all instances in which ComEd proposed direct assignment. To the extent Staff accepted ComEd's direct assignment approach for some accounts, the record is unclear why direct assignment was accepted. The Commission finds that ComEd's direct assignment of costs in FERC Accounts 580, 590 and 901 should be adopted. The record indicates that sufficient cost data is available to make direct assignments, and no party has provided credible arguments why these costs are not suited to direct assignment. The Commission's Order on rehearing in Docket No. 99-0117 concluded that it is insufficient to simply rely upon the definitions for given FERC Accounts; rather, it is necessary to analyze the nature of the costs recorded in the accounts.

The Commission rejects the Coalition's proposal to base ComEd's unbundled metering service charge on an average of the rates of other utilities. The Commission concurs with Staff and ComEd that ComEd's rates should be based on ComEd's costs and that the Coalition proposal is inconsistent with accepted ratemaking principles.

B. IP's Rates

1. IP's Position

IP indicates that it adhered to the methodology specified in the Third Interim Order for the development of the utilities' metering revenue requirement. IP states that the starting point for the development of the revenue requirement was the approved revenue requirement in IP's DST case (Dockets 99-0120 and 99-0134 (Cons.)), which was based on an historic 1997 test year. IP indicates that it then determined the portion of the revenue requirement attributable to metering. IP states that it directly assigned to the metering rate base those components solely attributable to metering. IP indicates that it then identified the remaining rate base components that should be allocated to metering based upon the Commission-approved demarcation between utility-owned and MSP-owned facilities stated in the Third Interim Order. IP states that the operating expenses associated with metering were determined in the same manner, i.e., by directly assigning those expenses solely attributable to metering and allocating those other expenses that are metering-related. IP's proposed metering revenue requirement is $17,888,000. (IP Brief at 4)

IP asserts that it used standard rate design techniques to develop its proposed metering rates. IP indicates that it used an embedded cost study to allocate the revenue requirement between residential and non-residential customers since all residential customers will be able to take delivery services by January 1, 2001, and the Commission determined in the Third Interim Order that only delivery services customers are eligible to take metering services from an MSP. (Id. at 4-5)

IP accepted Staff witness Lazare's position that IP incorrectly included $80,261 of costs associated with Account 916 (Miscellaneous Sales Expense) in the development of the meter labor allocator. Mr. Lazare proposed two additional adjustments to IP's functional allocation of costs to metering that were opposed by IP.

IP indicates that Mr. Lazare proposed an adjustment of $1,690,000 to allocate a portion of Account 106 (Construction Work in Progress ("CWIP") to Account 370 (Meters) in the metering rate base. IP states that Mr. Lazare's proposed adjustment is apparently based on the fact that IP allocated additions from Account 106 to Account 370 in its DST rate case. IP asserts that Mr. Lazare did not attempt to determine whether such an allocation is appropriate in the instant proceeding, but merely assumed that a portion of CWIP is related to metering. (Id. at 5)

IP indicates that it allocated additions from Account 106 to Account 370 in its DST rate case because the assets in Account 106 were not yet unitized and could not be identified by asset sub-account. IP notes that those allocations increased the actual December 31, 1997 balance in Account 370 by $2,154,000, to $44,058,000. IP contends that such an allocation is unnecessary in this case because until the Account 106 projects are unitized, it cannot be determined whether any of the assets in Account

106 are metering assets. Therefore, IP concludes that the additional $1,690,000 of assets that Mr. Lazare proposes to add to Account 370 will likely include assets that are unrelated to metering. (Id.)

As a check on the appropriateness of his conclusion that none of Account 106 should be allocated to metering, IP witness Mortland first evaluated the components of Account 370 as of December 31, 1997. He determined that 78.45% of the $41,904,000 Account 370 balance is subject to unbundling. He indicated that the remainder of the assets in Account 370 are current and potential transformers, which are not subject to unbundling. Mr. Mortland then compared the level of assets in Account 370 on December 31, 1998 to the level at December 31, 1999 shown on IP's FERC Form 1, which were $42,689,759 and $42,719,014, respectively. IP notes that after two years of actual capital additions, the balance in Account 370 is far from the $44,058,000 that Mr. Lazare has used in his analysis. IP concludes that this information establishes that the allocation of Account 106 proposed by Mr. Lazare would result in an over-allocation of Account 106 assets to Account 370. (Id. at 5-6)

IP indicates that Staff also criticized it for including only direct labor accounts and no overhead accounts in the determination of the meter labor allocator. Specifically, IP states that it did not include any of the supervision and miscellaneous accounts (Accounts 580, 590, 901 and 905) in the meter labor allocator. IP witness Mortland indicated that inclusion of these overhead accounts would not provide any additional accuracy since they include overhead activities related to numerous operation and maintenance activities. Rather, IP indicates that inclusion of the overhead accounts would needlessly complicate the calculation. As a further basis for exclusion of those accounts, Mr. Mortland testified that IP routinely uses only direct labor accounts to determine allocators used in the preparation of financial reports. Therefore, IP concludes that use of a labor allocator that reflects only direct expenses is appropriate. (Id. at 6)

2. Staff's Position

Staff contends that IP under-allocated Account 370 to unbundled metering. Staff indicates that according to IP's workpapers, 78.45% of meter assets should be allocated to unbundled metering. Staff emphasizes, however, that IP allocated only 74.62% of Account 370 to the meter function in its functional study. Staff states that IP attempted to justify this discrepancy by arguing that the costs in Account 370 include not only meter assets but also CWIP that has been allocated to metering. Staff states that IP decided that none of the CWIP in Account 106 should be allocated to metering since IP had not yet determined the specific function of the CWIP items. Staff states that this decision is unfounded, noting that IP witness Mortland did not know whether Account 106 (CWIP) contains metering assets to be unbundled. (Tr. at 1471) Staff asserts that it is more reasonable to allocate associated CWIP costs to unbundled metering in the same manner as the identifiable Account 370 assets, absent contrary evidence. (Staff Brief at 36-37)

Staff notes that IP attempted to support its position by claiming that the Account 370 totals in its 1998 and 1999 FERC Form 1 of $42,689,759 and $42,719,014 are considerably less than the $44,058,000 figure in the Company's filing in this case. Staff asserts that IP's argument is deficient in two respects. First, IP, not Staff, presented a balance of $44,058,000 for Account 370 in the embedded cost study accompanying IP's filing. Second, the record does not indicate how IP addressed CWIP items in the FERC Form 1 for 1998 and 1999. Staff concludes that IP identified $2,154,000 of CWIP related to Account 370 and arbitrarily decided that none of that amount should be allocated to unbundled metering. (Id. at 37-38)

Staff also objects to IP's labor allocator for general plant and administrative expenses. Staff states that the labor allocator and the overall cost allocation use the same FERC accounts, but the labor allocator is based on the labor component of each account. Staff notes that IP allocated a share of Accounts 580, 590, 901 and 905 to unbundled metering in its overall cost allocation. Staff notes, however, that IP did not allocate any of the labor components of these accounts to unbundled metering in developing its labor allocator. Staff asserts that IP did not provide a clear and compelling reason for this different approach. (Id. at 35-36)

In response to IP's claim that inclusion of any of the labor components of Accounts 580, 590, 901 and 905 in the labor allocator needlessly complicates the calculation, Staff points out that it had no problem developing an alternative labor allocator that allocates a portion of those accounts to unbundled metering. Staff also asserts that the manner by which IP allocates labor costs in its financial reports is irrelevant to the issue at hand, which concerns the development of a consistent, cost-based methodology for unbundling metering services. (Id. at 36)

Staff concludes that IP's approach to rate design is reasonable, except for the recovery of unbundling implementation costs. Staff indicates that its only concern is with IP's starting point, the costs that IP allocated to unbundled metering. Therefore, Staff proposes that IP be directed to recalculate its proposed unbundled metering charges based on Staff's proposed functional allocation for the compliance rates to be submitted at the conclusion of this proceeding. (Id. at 43)

3. Commission's Conclusion

The Commission concludes that Staff's proposed allocation of a portion of Account 106 (CWIP) to Account 370 (Meters) in the metering rate base is reasonable and is adopted. Staff allocates the associated CWIP to unbundled metering in the same manner as the identifiable Account 370 assets are allocated. Staff's allocation is more appropriate than IP's position. IP contends that until the Account 106 projects are unitized, it cannot be determined whether any of the assets in Account 106 are metering assets. Therefore, IP assumes that none of the CWIP in Account 106 should be allocated to Account 370. The Commission does not accept this assumption, which relies on the fact that IP has not determined the specific function of the CWIP items.

The Commission also accepts Staff's allocation of a portion of Accounts 580, 590, 901 and 905 to the labor allocator for general plant and administrative expenses. Staff's allocation is consistent with IP's allocation of a share of these accounts to unbundled metering in its overall cost allocation. The Commission rejects IP's position that Staff's allocation needlessly complicates the calculation. The Commission agrees with Staff that the manner by which IP allocates labor costs in its financial reports is irrelevant to the issue at hand.

The Commission concludes that IP should re-run its embedded cost study and recalculate its unbundled metering charges to reflect Staff's adjustments to IP's functional allocations in the compliance rates to be filed in this proceeding.

C. Ameren's Rates

1. Ameren's Position

Ameren states that it presented functional cost allocation studies that segregate the delivery services cost of service, as approved in Docket 99-0121, between meter service and all other delivery services. The cost of service data approved in Docket 99-0121 was adjusted to reflect amortization of the unbundling implementation costs over five years and inclusion of the unamortized balance of those costs in rate base. Ameren explained that investment and expenses booked in certain accounts are incurred solely to provide either meter service or other non-meter delivery services. Those items were directly assigned to the cost of service for either meter service or other delivery services. The investment and costs booked in certain other accounts, however, are incurred to provide both meter service and other delivery services. These accounts were allocated between meter service and other delivery services based on allocation methodologies developed through discussions with Staff. (Ameren Brief at 12)

Using the results of the functional cost allocation studies, Ameren developed fully allocated embedded class cost of service studies and calculated unbundled delivery service rates on the basis of those studies. Ameren developed (i) an unbundled meter charge, reflecting meter service costs and (ii) a customer charge, reflecting the other (i.e., non-meter service) delivery service costs and the revenue requirements associated with unbundling implementation costs. (Id. at 12-13)

With the exception of issues related to the ratemaking treatment of unbundling implementation costs, there are no contested issues in this case regarding Ameren's unbundled delivery service cost-of-service studies and rate design. (Id. at 14-15)

2. Staff's Position

Staff notes that Ameren accepted all of Staff's recommended cost of service changes. Staff then accepted Ameren's functional cost of service studies, excluding implementation costs. Staff recommends that the studies contained in Staff Ex. 10.0 (Attachment C and D) be used in this proceeding. (Staff Brief at 38)

Staff comments that Ameren followed the previously approved DST rate design approaches to develop unbundled metering charges in this case. CIPS distributed the proposed DS-2 metering service revenue requirement between primary and secondary service. The DS-2 class' primary customer charge was set at 77% of the DS-3 primary customer charge in its DST proceeding, Docket No. 99-0121. The 77% represented CIPS's attempt to take into account the additional costs associated with primary customers meters and installations and transfers between rate DS-2 and DS-3, without the benefit of separate primary and secondary class costs of service. There was no distinction between a metering portion or an installation portion when the customer charge was set for the DS-2 primary customers in the DST case. (Id. at 44)

Staff agrees with the proposed rates for both CIPS and UE, except for their inclusion of implementation costs. (Id. at 45)

3. Commission's Conclusion

The Commission concludes that above agreements between Ameren and Staff concerning class cost of service studies and rate design are reasonable and are adopted. Unbundling implementation costs have been previously addressed in Section III of this Order.

D. CILCO's Rates

1. CILCO's Position

CILCO indicates that Staff proposed three minor adjustments to the cost of service and rate design aspects of the unbundled delivery service tariffs filed by CILCO. Staff's first recommendation is that CILCO's proposed unbundled metering costs be revised to comply with Staff's recommended allocation methodology related to FERC Accounts 901 and 905. The resulting difference would be only a $6,920 increase. Second, Staff proposed that CILCO revise downward the amounts allocated to FERC Accounts 580 and 590 to comply with the new allocation methodology adopted by Staff for this docket. CILCO indicates that this adjustment would reduce the amount allocated to metering by approximately $127,000. CILCO states that its methodology had been approved by the Commission in its recent delivery services rate case, Docket Nos. 99-0119 and 99-0131 (Cons.) Finally, Staff proposed to include a small portion of CILCO's delivery services uncollectible expense ($26,804) in the metering revenue requirement. (CILCO Brief at 4)

According to CILCO, Staff's proposed adjustments partially offset each other, and the net decrease of less than $100,000 is a de minimus portion of the Company's total delivery services revenue requirement of $89.7 million. Because these expense adjustments would be spread among all 200,000 bundled and delivery services customers, CILCO asserts that the effect would literally amount to a few cents on most of the bills. CILCO argues that it is improbable that the small impact of Staff's proposed adjustments would impede the development of competition for metering services. On the other hand, in order to make the minor adjustments, CILCO indicates that it would incur costs to have the outside contractors, who developed the Company's cost of service model, re-run the study. Because of the magnitude of Staff's proposed adjustments, CILCO indicates that it elected in this docket not to litigate the substantive merits of the theories underlying the adjustments. By the same token, CILCO indicates that it opposes, as impractical, a requirement to re-run its cost of service study to reflect very small adjustments, the bulk of which result from Staff's abandonment of allocation principles approved in its recent delivery services tariff proceeding. Accordingly, CILCO indicates that the order in this phase of the proceeding should note Staff's proposed adjustments as issues that may be addressed in the Company's next filing, but decline to require CILCO to re-run its cost of service study to produce new charges due to the apparent minor magnitude of the adjustments. (Id. at 4-5)

2. Staff's Position

Staff indicates that CILCO, like ComEd, disagreed with Staff on the approach for allocating costs recorded in FERC Accounts: 580 - Operation Supervision and Engineering; 590 - Maintenance Supervision and Engineering; and 901 - Supervision (for customer accounting and collecting). Furthermore, Staff took issue with the manner in which CILCO allocated costs recorded in FERC Account 905 - Miscellaneous Customer Accounts Expenses and with CILCO's treatment of costs recorded in FERC Account 904 – Uncollectables. (Staff Brief at 31-33)

As previously discussed, Staff asserts that the definitions provided by FERC provide the starting point for allocating each of these accounts in question. In addition to the FERC definitions for Accounts 580, 590 and 901 provided above in the discussion of Staff's dispute with ComEd on this matter, Staff also provided the FERC definition for Account 905. Staff indicates that Account 905 is defined by FERC as:

> This account shall include the cost of labor, materials used and expenses incurred not provided for in other accounts.

(Staff Brief at 25)

As previously discussed, Staff claims that it is evident that at least some portion of Accounts 580, 590, 901 and 905 should be allocated to unbundled metering since a share of the corresponding direct expenses related to each of these accounts has been allocated in part to unbundled metering. The definitions suggest to Staff that the allocation of these accounts to unbundled metering should be based on the overall allocation of the expenses to which each is related. (Staff Brief at 23-26)

Staff indicates that CILCO proposed to allocate all four accounts to unbundled metering on the basis of a DST labor allocator. Staff asserts that this approach presents a problem because the FERC descriptions indicate that Accounts 580, 590, 901 and 905 are most clearly related, not to DST labor in general, but to accompanying direct expense accounts. Thus, Staff claims that the most appropriate allocation of Accounts 580, 590, 901 and 905 is based on the allocation of the related expenses between the meter and non-meter functions as Staff proposed in this case. (Id. at 31)

Staff states that while CILCO's methodology for allocating costs in FERC Accounts 580 and 590 was approved by the Commission for DST purposes, the allocation methodology was not reviewed at that time in terms of unbundling. A comparison of CILCO's allocation methodology to Staff's recommendation for FERC accounts 580 and 590 revealed the totals allocated to metering in each account would be as follows:

	CILCO	Staff
Account 580	$318,484	$194,535
Account 590	7,213	4,261
Total	$325,697	$198,796

Staff indicates that CILCO's allocation of FERC accounts 901 and 905 is very close to Staff's recommendation. CILCO's unbundled metering allocation to FERC accounts 901 and 905 is 32.6%, while Staff's recommended approach results in 34.2%. The resulting dollar difference is $6,920, according to Staff. (Id. at 32)

Staff indicates that CILCO did not allocate any FERC Account 904 expenses (Uncollectable Accounts) to metering. Staff recommends that FERC Account 904 should be allocated to the metering function according to the meter revenue requirement share of the total DST revenue requirement. Under Staff's recommended approach, $26,804 or 7.3% of the amount from the DST cost study is allocated to Account 904. (Id. at 33-34)

Staff indicates that it was unable to determine the actual impact on CILCO's Rate 35 meter charges of applying Staff's recommended allocation methodology because CILCO's cost of service study would need to be completely re-run in order to determine the precise impact. While Staff recognized there is some merit in CILCO's position that the cost study should not be re-run, Staff concluded that consistent unbundling allocation methodologies can be achieved for utilities only if CILCO revises the totals in the appropriate FERC accounts to reflect Staff's recommended allocation methodology. Staff recommends that the Commission adopt Staff's uniform allocation methodology and require CILCO to revise its totals in the appropriate FERC accounts. (Id. at 38-39)

3. Commission's Conclusion

CILCO's proposed treatment of costs in FERC Accounts 580, 590, 901, 904 and 905 will result in a higher metering charge than Staff's proposed treatment, and, therefore, a higher cost that can be avoided by switching to an MSP. Without reaching a decision on the merits of Staff's proposal, the Commission finds the impact on CILCO's proposed rates to be de minimus. In light of this impact, the Commission does not believe that CILCO should be required to incur the costs of an outside consultant to re-run its cost study. Therefore, for purposes of this proceeding, the Commission accepts CILCO's proposed treatment of costs in the five FERC accounts at issue.

E. Alliant's Rates

1. Alliant's Position

While Interstate and South Beloit do not necessarily agree with Staff's rate design procedure for determining the metering charges, for the purpose of this docket only, Interstate and South Beloit are willing to accept Staff's procedure for developing the meter-related monthly fixed charges

The rebuttal testimony of Interstate and South Beloit witnesses as well as changes submitted at the hearing by Staff indicate that all contested issues between Staff and Alliant have been resolved.

2. Staff's Position

Staff notes that the initial filings by Alliant differed significantly from the Staff methodology not only for FERC Accounts 580, 590, 901, and 905, but also for Administrative and General Accounts 920-923, 925 and 926 which Alliant systematically underallocated to unbundled metering. There were also some minor differences in the metering allocation factors for FERC Accounts 400, 904, 924, 931, 935, 408, 410, 411, 252, 282, 283, and 235. According to staff, however, those differences did not significantly affect metering revenue requirement and consequently were not discussed in any great detail. (Staff Brief at 40)

Staff argues that, absent any compelling reason to apply a different allocation factor for Accounts 920-923, 925 and 926, it is appropriate to use the same payroll allocation factors. Staff asserts that this ensures that the metering revenue requirement is consistent with the calculation of the delivery services revenue requirement that serves as the starting point for determining the metering revenue requirement. (Id. at 41)

Staff indicates that its method of calculating metering revenue requirement, as discussed above, is preferable to the method presented by Alliant. Staff recommends that its calculation of the Interstate and South Beloit metering revenue requirement be approved in this docket. (Id. at 42)

After the metering revenue requirement was allocated to the individual rate classes, Staff designed rates based upon two factors: the metering revenue requirement allocated to each individual rate class divided by total monthly billings from each rate class. Staff states that this method of designing unbundled metering rates is appropriate because metering is considered a customer cost, appropriately recovered through a monthly charge. (Id. at 45)

Staff states that for some rate classes, a simple division of metering revenue requirement by monthly bills resulted in a monthly charge greater than the monthly delivery services customer charge. Staff characterized this result as an "excess metering charge." To correct this dilemma, Staff adjusted the excess meter charge. (Id.)

For South Beloit, Staff applied the resulting ratio of the metering customer charge to the delivery services customer charge from the General Service - Time-of-Day Service, Single Phase rate class to the delivery services customer charges for General Service - Time-of-Day Service, Three Phase; the General Service - Medium, Single and Three Phase; and the General Service - Large, Secondary and Primary rate classes. (Id. at 46)

For Interstate, Staff applied the resulting ratio of the metering customer charge to the delivery services customer charge from the Municipal Pumping class to the Delivery Services customer charge for the Large Power and Light classes (Primary and Secondary. (Id.)

3. Commission's Conclusion

The Commission concludes that the allocation factors and rate design recommended by Staff and agreed to by Alliant should be adopted.

F. MidAmerican's Rates

1. MidAmerican's Position

MidAmerican proposes two different metering service charges: an existing monthly metering service charge ("existing charge") and a new monthly metering service charge ('new charge"). The existing charges are based upon MidAmerican's embedded cost, were determined in its recent rate case for delivery services, and would apply to the customers currently taking delivery services and to current bundled service customers, if and when they switch to delivery services. The new charges are applicable to new customers to MidAmerican's delivery system, customers requesting meter upgrades, and customers whose existing meters are replaced due to meter failure. The new charges are based upon MidAmerican's current replacement cost for the meter service. MidAmerican asserts that its proposal to price new or replacement metering services at current cost is one of the key competitive components of its proposed metering unbundling tariffs.

MidAmerican says that since the pricing of the combined delivery/metering service was determined on an embedded cost basis, it is reasonable when unbundling those prices into delivery service prices and metering service prices to use that same embedded cost basis. MidAmerican indicates that this approach allows the continued provision of the existing metering services on the same price basis as was used prior to unbundling. MidAmerican states that existing customers will not see any change in prices simply as a result of the delivery and metering services being unbundled. (MidAmerican Brief at 10)

MidAmerican states that where a new meter will be installed, the customer has the choice of purchasing that new meter service either from the delivery service provider or from an alternative meter service provider. MidAmerican argues that for a competitive market for metering to develop, the customer making that economic decision must be provided the correct price signals to allow the best economic choice to be made. MidAmerican suggests that this can only be accomplished if the price for these new meter services is set in the market. MidAmerican indicates that the meter service provider, who is not price regulated, is free to offer the customer a price consistent with its cost and with the market price for the service. Ideally, MidAmerican argues, the delivery service provider would have that same ability. (Id.)

Because a market price for metering services cannot yet be determined for inclusion in the DSP's metering services tariff, MidAmerican suggests use of the DSP's current replacement cost as a proxy for the market price. MidAmerican recommends that this should be an all-inclusive cost estimate, not an avoided cost estimate as suggested by others earlier in this docket. MidAmerican claims that this should provide the best available price signal, allowing the best economic choices to be made and the competitive market to develop appropriately. MidAmerican indicates that as the market for metering services develops and market prices can be better identified, the Commission should allow peer market pricing of these services by the DSP. (Id. at 10-11)

MidAmerican states that another key competitive component of its proposal is increased pricing flexibility of metering services for the DSP. MidAmerican indicates that while DSPs have to set their prices according to their tariffs, MSPs are not required to sell metering services at tariff rates. MidAmerican asserts that to provide the proper price signals, the DSP must be provided the flexibility to change its prices to reflect the then current market conditions. MidAmerican argues that requiring the DSP to set, and then re-set, prices in the 11-month long rate process in accordance with Section 9-201 of the Act will preclude pricing competition from the DSPs. MidAmerican recommends that the DSPs be authorized to change rates for new services seven days after filing such changes with the Commission. Under MidAmerican's proposal, the new charges would be subject to Commission review, but would go into effect without specific Commission approval, such as the Fuel Adjustment Clause changes under existing regulation. MidAmerican asserts that this would provide the DSP with flexibility to respond to price changes in the market to remain competitive. (Id. at 11-12)

MidAmerican notes that Staff objects to MidAmerican's "pro-competitive" proposal because a competitive market does not fully exist. According to MidAmerican, Staff's approach, taken to its logical conclusion, would result in the continuation of the status quo, at best. MidAmerican asserts that its proposal is pro-competitive, enables the Commission to exercise appropriate regulatory oversight, and is an additional step in the development of competition in Illinois. (Id.)

MidAmerican claims that Staff's position would be more valid if MidAmerican was proposing absolute pricing flexibility without any Commission oversight. MidAmerican says, however, that its proposed price would be a "regulated" rate subject to Commission approval. MidAmerican argues that a competitive market for metering services does not have to exist before the Commission sets rates for those services at a level that would be expected to stimulate competition and result in consumers making correct economic choices. (Id. at 12)

MidAmerican contends that Staff's proposal to continue to set rates at embedded costs until a competitive market develops would frustrate the development of such a market. MidAmerican asserts that if the cost of providing metering services does not decline significantly toward embedded cost levels, competition may never develop. (Id. at 13)

In response to Staff's suggestion that MidAmerican could petition the Commission to grant special permission to file new rates (for metering services) on less than 45 days notice pursuant to Section 9-201 of the Act, MidAmerican asserts that Section 9-201 was not intended as a mechanism to respond to routine and constant market changes in prices. (Id.)

MidAmerican asserts that its future MSP competitors will have the freedom to change prices on a daily basis to respond to changing market conditions. MidAmerican notes that they would not be required to prepare and file a petition with the Commission requesting permission to change each and every charge 45 days prior to the charge going into effect. (Id.)

MidAmerican submits that it is unlikely that the Commission will consider daily filings to adjust metering service rates to be an exceptional or extraordinary event meriting good cause for special permission to be authorized. According to MidAmerican, it takes an extraordinary showing of good cause to justify, or enable, the Commission to grant approval on less than 45 days notice. (Id. at 14)

MidAmerican claims that Staff's suggestion that it could petition the Commission to declare metering service competitive pursuant to Section 16-113 of the Act is premature. MidAmerican indicates that metering services cannot even be provided until January 1, 2001, and then only to those customers eligible for delivery service. MidAmerican asserts that it is doubtful whether metering services could currently qualify to be declared competitive, given the requirements and standards contained in Section 16-113. (Id. at 15)

With regard to cost of service studies, MidAmerican accepted Staff's three recommended changes. MidAmerican indicates that there are no unresolved rate design issues involving rates based on embedded costs applicable to existing installations. (Id. at 8)

2. Staff's Position

Staff objects to MidAmerican's proposed new monthly metering charge. Staff indicates that the new charges are higher than the existing charges by about 12-15% for comparable metering services. According to Staff, the new charges apply to delivery services customers who take service from an MSP other than MidAmerican and then, for whatever reason, return to MidAmerican for their metering services. Staff also states that under MidAmerican's proposal, the customer would be forced to make a market based decision when it wants a meter upgrade or even when its meter equipment fails and must be replaced. (Staff Brief at 48-49)

Staff argues that MidAmerican's pricing proposal for metering services may unnecessarily result in higher rates for customers with few or no alternatives for metering services. Staff states that, in theory, MidAmerican's proposal will allow alternative meter service providers room to compete in the market. Staff emphasizes, however, that MidAmerican's pricing proposal will provide benefits to customers only if the prices that MidAmerican proposes are higher than those offered by alternative MSPs. Staff contends that these benefits rest on the assumption that MidAmerican's metering service costs have actually increased to its proposed levels since the previous delivery services rate case. Staff argues that the Commission should not accept this assumption because such little time has passed since the delivery service rate case to justify these cost increases. Staff claims that if anything, due to technological improvements, depreciation, and utility mergers and cost cutting measures, one would expect metering costs to decrease. Staff asserts that there has been no showing in this proceeding that the new prices are likely to spur entry in the market. Staff contends that it is highly unlikely that these higher meter services rates will accomplish anything other than to provide an unearned rent to the utility. (Id. at 49-50)

Staff also opposes MidAmerican's proposal for authorization to change rates upon seven days of filing with the Commission, subject to Commission review. Staff argues that this proposal is unnecessary and may diminish the ability of competitors to contest the market. Staff contends that if the market for metering services evolves and MidAmerican must change its rates in response to competition, MidAmerican can file a rate change with the Commission providing 45 days notice of the change; MidAmerican can petition the Commission for approval of rate changes on less than 45 days notice; MidAmerican can petition the Commission to reduce its rates; MidAmerican can petition the Commission to declare metering services to be competitive; or MidAmerican can file an alternative regulatory pricing plan that includes the pricing of metering services. Staff argues that these five viable options available to MidAmerican adequately address pricing flexibility and competition. (Id.)

3. Commission's Conclusion

The Commission believes that marginal cost based pricing has relevance, particularly in markets that are moving toward competition. While the Commission applauds MidAmerican for its forward looking proposals, the Commission believes it is premature to approve them in this proceeding. In the absence of any factual information that indicates MidAmerican will actually face competition for metering services, its proposal to charge a replacement or marginal cost based price for new meters should not be approved.

MidAmerican seems to assume that competition in the meter services market will be based solely upon price. This is an assumption which was refuted by other parties in this proceeding. If MidAmerican could demonstrate in the future that alternative meter service providers are active in its service territory, the Commission might reconsider its conclusion on this matter. However, the Commission cannot allow MidAmerican to simply increase its prices with the hope that such a move will entice competitors into the market.

V. ADMINISTRATIVE FEES

A. DASR Fees, MSP Registration Fees and Administrative Fees

1. Ameren's Position

Ameren's proposed MSP Tariffs include two fees applicable to MSPs: a one-time registration fee of $20 and a Direct Access Service Request ("DASR") fee of $5 per submittal. Ameren indicates that these fees are identical to the registration and DASR submittal fees approved by the Commission in Docket 99-0121 for inclusion in the Ameren's RES Tariffs. (Ameren Brief at 8)

Ameren, in responding to Coalition objections to the proposed MSP registration and DASRs submittal fees argues that the evidence shows that the proposed fees are necessary to recover the costs incurred to register MSPs and to process DASRs, respectively. Ameren also indicates that the costs associated with each of these activities were not included in the revenue requirement approved in Docket 99-0121 for use in establishing the delivery service rates that are being unbundled in this case. According to Ameren, the Commission in Docket 99-0121 rejected pro forma adjustments to the test year data that reflected, in part, administrative costs associated with the registration of RES and processing of DASRs for switching energy suppliers. Ameren indicates, however, that the Commission approved a one-time RES registration fee of $20 and a DASR submittal fee of $5.00 to cover the costs of those specific activities. (Id. at 8-9)

Ameren asserts that it will (i) follow the same procedures and incur the same costs for registering MSPs as it does for RESs; and (ii) follow the same procedures and incur the same costs for processing MSP DASRs as it does for RES DASRs. Ameren contends that its proposed unbundled DST customer charges and meter charges are developed based on test year data approved in Docket 99-0121, as adjusted only to reflect system development costs necessary to implement unbundling of meter services. Ameren asserts that the costs reflected in its proposed DST customer charges and meter charges do not include any of the costs for registering MSPs or processing DASRs. Accordingly, Ameren argues, it is appropriate to include in Ameren's MSP tariffs the same registration and DASR submittal fees approved in Docket 99-0121. (Id. at 9)

According to Ameren, the Coalition provided no support for its assertion that the proposed registration and DASR submittal fees are unreasonable. Ameren says that the Coalition did not dispute the fact that the fees are cost-justified. Instead, Ameren says, as the rationale for its position, the Coalition argued that there is a "need for uniformity in MSP tariffs" and that, if ComEd "can do without a fee . . . [,] other utilities should have the same position." Ameren contends that the Coalition failed to explain why there is a need for "uniformity" on this issue. Moreover, Ameren argues that the Coalition failed to account for the fact that ComEd, unlike Ameren, has proposed to include the costs it will incur to register MSPs and process DASRs in the metering service revenue requirement used to establish unbundled delivery service charges, rather than through separate fees. According to Ameren, the fact that different utilities have elected to propose different methods of cost recovery does not logically or lawfully support the rejection of Ameren's fee proposal. (Id. at 9-10)

2. IP's Position

IP proposes to bill an MSP a one-time registration fee of $20 when the MSP registers with IP to provide metering service to customers in IP's service area. IP also proposes to bill MSPs a $6 fee for each DASR submitted to IP for processing. Finally, IP proposes to bill a $6 Administrative Fee to a customer that is taking metering service from an MSP, but elects to terminate service with the MSP. According to IP, these are the same fees approved by the Commission in IP's DST case for RES registration, DASRs submitted by RESs via EDI, and termination of service by a customer from a RES. (IP Brief at 34)

IP indicates that the sole basis of the Coalition's objections to IP's fees is that certain other utilities are not charging any fees, or are charging different fees, for these services. IP argues that by approving these charges in the DST Order, the Commission recognized that IP incurs costs in registering and processing DASRs submitted by RESs, and in terminating a customer's service with a RES at the customer's request. IP indicates that the Coalition agreed that IP incurs costs in performing these functions, and the Coalition did not present any evidence that it will take less work by IP to perform these functions with respect to MSPs and unbundled metering than it does with respect to RESs and delivery services. IP argues that if it were to perform these functions without being allowed to charge the proposed fees, it would be subsidizing the MSP. IP states that the Coalition agrees that It is entirely appropriate for different utilities to elect different methods of cost recovery based on their own business requirements. (Id. at 35)

IP indicates that the Coalition criticized IP and other utilities for not adjusting their billing determinants to reflect a revenue stream associated with recovery of fees for services such as off-cycle final meter reads. IP argues that such an adjustment would be inappropriate because these fees are charges for new services associated with the unbundling of metering (DASR processing, meter handling, off-cycle final meter reads, meter removals, etc.), and IP will incur costs to perform the services for which the fees will be billed. IP claims that if these fees were used to offset the metering revenue requirement, it would not recover the costs it will incur to perform these new services. IP indicates that it has excluded both the costs of performing these functions and the revenues from the proposed fees, from the determination of its metering revenue requirement and proposed metering charges. IP asserts that this is the same approach used in IP's DST Order with respect to fees such as RES registration fees, DASR fees and administrative (customer termination) fees. (Id. at 35-36, citing Section III.A of IP's DST Order)

3. CILCO's Position

CILCO has proposed administrative fees of $20 for a MSP to register to provide metering services in CILCO's service territory and $5 for processing each DASR needed to switch metering service providers. CILCO claims that these fees address costs that have not been reflected in the historical test year used in the delivery services rate case because CILCO had never performed such tasks in the past. Accordingly, CILCO argues that its proposed charges for MSP registration and DASR processing should be approved. (CILCO Brief at 3)

4. MidAmerican's Position

MidAmerican proposes a $5 DASR processing fee for each DASR needed to switch metering service providers. MidAmerican indicates that this is the same fee approved by the Commission in MidAmerican's DST case for processing DASRs submitted by RESs. (MidAmerican Ex. 7.0 Rev. at 10)

MidAmerican also requests approval to recover the incremental costs associated with the issuance of corrected bills due to missing or erroneous meter read information from the MSP. MidAmerican indicates that this charge is intended to recover the costs associated with revising customer account information, reissuing bills, and sending an explanation to the customer of the adjustment to its account. (MidAmerican Ex. 7.0 Rev. at 12, and Ex. 7.3 Rev., Sheet No. 23)

5. The Coalition's Position

The Coalition indicates that the Commission should seriously question whether the utilities should be allowed to include various fees in their tariffs. In particular, the Coalition recommends that the Commission ensure that utilities do not use the fee-based approach to skew revenue recovery. The Coalition asserts that if utilities are allowed to include such fees in metering services tariffs, the revenue generated by such fees should be reflected in the rate design of the utilities. The Coalition claims that it does not appear that the utilities have adjusted their billing determinants to reflect a revenue stream associated with recovery of these fees. (Coalition Brief at 35)

Given the recent history of the lack of competitive development in generation and the fact that competitive generation is a pre-requisite for unbundling of meters, the Coalition claims that there should be a focus upon the terms and conditions in the ComEd MSP tariffs as the starting point for all other Illinois utilities. The Coalition argues that exceptions should be provided only where there are unique circumstances that are explained fully by the utility. For example, the Coalition asserts that there is no reason that Ameren and Illinois Power should charge fees for things like filling out a DASR form or removing an existing meter, while Edison does not charge such fees. According to the Coalition, it seems unlikely that MSPs will charge fees to host utilities for analogous activities. (Id. at 36)

6. Staff's Position

Staff indicates that IP proposed a $6.00 administration fee; IP, Ameren and CILCO each proposed a $20.00 registration fee; IP proposed a $6.00 DASR fee; and Ameren, MidAmerican and CILCO each proposed a $5.00 DASR fee. Staff found that each of these fees is the same as the similar fees approved by the Commission in the delivery services dockets, and recommends that they be approved in this unbundling docket. (Staff Brief at 47)

Staff indicates that the Coalition suggested that these fees should not be approved based on the conclusion that if some utilities did not propose any fee for these services, then no utilities should charge a fee. Staff observes that the Coalition provided no support for this theory. Staff asserts that the Coalition failed to recognize that costs are not identical across utilities, which can result in different charges for the same service for different utilities. (Id.)

7. Commission's Conclusion

The Commission concludes that the DASR fees, MSP registration fees and administrative fees proposed by Ameren, IP, CILCO and MidAmerican are reasonable. These fees are the same as those recently approved by the Commission in the DST proceedings for virtually identical activities. Furthermore, while the Coalition implies that ComEd is not recovering certain costs simply because it is not charging these types of fees, the evidence does not support that implication. Ameren, IP, CILCO and ComEd each propose to recover costs in the same manner as recently approved by the Commission in their DST cases, and the Commission hereby affirms that its decisions therein were appropriate.

The Commission rejects MidAmerican's proposal to recover the incremental costs associated with the issuance of corrected bills due to missing or erroneous meter read information from the MSP. MidAmerican's proposed tariff does not specify the amount to be charged to the MSP or any unit costs that would be used to compute the charge. Lacking such specificity, MidAmerican's proposal should not be accepted.

B. Fees for Joint Meets

1. ComEd's Position

ComEd indicates that the cost of final meter reads on regularly scheduled meter reading days are included in its revenue requirement, and proposes no separate charge for such readings in its tariff. In a very small number of circumstances, typically involving the very largest electric customers, ComEd indicates that one of its employees must be present at the time of a meter exchange to ensure the highest degree of data continuity. ComEd proposes to charge MSPs exactly ComEd's costs for such work. According to ComEd, since the requirements of such work are highly customer specific and the frequency of such required work is unknown, setting one ballpark estimate of such costs is not as appropriate as ComEd's proposal. (ComEd Brief at 43)

ComEd asserts that its charges will use much the same method that ComEd has used for decades with respect to Rider 6. Under Rider 6, ComEd uses standard company charges contained in the Company's General Order 25 ("G.O. 25") that is filed with the Commission for information purposes to perform non-standard or customer-specific work. ComEd indicates that G.O. 25 will be updated so that it will contain the unit charges that would be charged to MSPs for travel time, meter reading time or other services that may be provided to MSPs. ComEd indicates that this information will be communicated to MSPs so that they will know with certainty what charges will be applied. (Id. at 43-44)

ComEd argues that because its approach will charge MSPs the actual costs incurred by ComEd for off-cycle meter readings, there is no risk of over-recovery of labor-related travel costs as suggested by Staff. ComEd claims that use of its own cost data results in cost-based, just and reasonable charges. ComEd states that the Coalition's claim that a single charge should be established for all utilities throughout the state without regard to the costs of the individual utilities should be rejected. (Id.)

ComEd claims that its proposal provides for accurate cost-based pricing and cost recovery, with perfect assignment of costs to the cost-causers. According to ComEd, the Coalition's claim that any such revenues should be used as an offset to ComEd's metering service revenue requirement should be rejected. (Id. at 44)

In response to the Coalition's objection to "Other Charges," ComEd indicates that this section allows MSPs to request ComEd to perform non-standard services and to pay ComEd the cost that ComEd incurs in providing such services. An example, ComEd states, would be work that involves high voltage equipment that the MSP's worker is not capable of performing or performing safely. Charging customers for non-standard or project-specific work is a practice that ComEd says it performs on a daily basis for customers. (Id.)

2. IP's Position

IP indicates that prior to a customer switching to an MSP for metering service, it will take a final reading from its meter. IP indicates that in those instances in which the MSP requests a switch date other than the customer's scheduled meter read date, it will bill a final meter reading charge to the MSP. IP states that the MSP can avoid this charge by requesting that the switch occur on the customer's scheduled meter read date. (IP Brief at 29)

IP notes that Staff and the Coalition expressed concerns because IP was proposing to bill MSPs for final meter readings based on the actual cost incurred in taking the reading, rather than on charges stated in IP's tariff. Also, according to IP, Staff and the Coalition were also concerned that where there are multiple meters to be switched at a customer's premises, the MSP could be billed inappropriately for the IP employee's travel time to the site for each meter. In response, IP indicates that it agreed to establish a set of standard unit costs for the steps involved in performing a final meter reading, and to place these standard costs in its tariff. IP states that the standard unit costs will include costs for (i) travel to the site and administration, and (ii) taking the reading. IP indicates that the applicable charge will depend on the type of employee required to take the reading, which in turn will be dictated by the meter in place at the customer's premises. IP also clarified that the MSP would be charged the travel cost only once per trip to the customer's premises, and would be charged the meter reading cost for each meter read at the premises. IP believes all issues between it and Staff relating to final meter reading charges are resolved. (Id. at 29-30)

IP indicates that when a customer elects to switch to an MSP for metering service, the MSP will be responsible for removing IP's meter and returning it to IP, except in certain circumstances which are stated in Section VII.B.1 of Appendix 7 to SC 150. In those cases in which IP must remove its meter from the customer's premises prior to the customer switching to an MSP, IP indicates that it will bill the MSP for IP's actual costs of removing the meter. (Id. at 31)

According to IP, only the Coalition objected to the MSP being billed for IP's cost of removing its meter where it is necessary for IP to remove the meter. IP indicates that the basis for this objection to its (and certain other utilities') meter removal charges was that ComEd is not proposing such a charge. IP argues that in those cases in which it must remove its meter, it will be incurring additional costs solely because the particular customer has elected to switch to the MSP for metering service. Thus, IP contends that it is appropriate for the MSP to pay a cost-based charge, or else IP will be subsidizing the MSP. IP asserts that the fact that another utility elects to recover these costs in another way is no reason to prohibit IP from collecting a cost-based meter removal charge from the MSP to which the customer switches. IP also notes that ComEd is proposing cost-based charges for meter removal for customers 10 MW and larger. (Id. at 31-32)

3. CILCO's Position

Under CILCO's proposed tariffs, charges to read meters on off-cycle switch dates are determined based upon the "personnel, material and related overhead costs associated with . . . a final meter reading." CILCO indicates that Staff opposed charging on a case-by-case basis, and recommended that CILCO develop standard unit charges that would be incorporated into the tariffs. CILCO claims that the development of an average charge for off-cycle meter reads would have required it to expend significant time and resources. CILCO asserts that the actual costs incurred by a utility can be highly variable, depending upon such factors as the number of meters on the premises, the types and locations of meters to be read, and the proximity of the customer's premises to other customer locations. Average system numbers, CILCO argues, would be difficult to develop because it is unknown what type of customers will elect unbundled metering. According to CILCO, it is a common practice for utilities to charge for non-standard services on a project by project basis. CILCO contends that its proposed method constitutes the most accurate means of collecting the costs actually incurred, and avoids subsidization of customers with higher costs by those customers with lower costs. CILCO claims that by incorporating standard unit rates into tariffs, it would be forced to follow cumbersome technical tariff filing procedures every time its collective bargaining agreements resulted in a change in wage rates. CILCO concludes that Staff's recommendation regarding the incorporation into tariffs of standard unit charges for off-cycle meter reads should be rejected. (CILCO Brief at 8-9)

4. Staff's Position

Staff opposes the proposals of IP and ComEd to charge customers per meter read at the customer's premises on a date other than the regularly scheduled meter reading date, also known as off-cycle switch dates. Staff claims that the charges may double recover labor related travel costs when applied to customers with multiple meters, and that there should be explicit charges set forth in the tariffs.

Staff indicates that IP agreed to accept Staff's recommendation that the charges be explicitly set forth in IP's tariffs and applied in a manner that precludes double recovery. Thus, Staff indicates that it has no further disagreements with IP on this issue. In addition, Staff indicates that ComEd met its concerns regarding the potential to double recover costs for multiple reads. (Staff Brief at 52)

Staff indicates, however, that ComEd has not agreed to set forth the rates in its tariffs. According to Staff, the lack of explicit rates for the service will increase the likelihood that the rates for meter reads may be subject to variation on an ad hoc basis, and thus may inhibit the development of the market for unbundled metering services. Staff argues that meter reading should be a standard procedure for a given type of meter and, therefore, it should not be problematic to develop a specific charge for the service. Even if the cost varies significantly by meter type, Staff claims that nothing would prevent the utility from developing charges for each such meter. Staff contends that ComEd's ability to estimate costs for non-standard facilities and services is demonstrated in both Rider 6, Optional or Non-Standard Facilities, and Rider 7, Meter Lease. Staff recommends that the Commission order ComEd to develop charges for final meter reads on off-cycle switches and that those rates be included in the Company's compliance filing, with all supporting work papers. (Id. at 52-53)

Staff contends that CILCO's proposal to charge customers switching to an MSP for final meter reads on regularly scheduled meter read dates is unwarranted and should be rejected. Staff points out that CILCO is the only utility proposing such a charge. Staff states that CILCO will not allow the regularly scheduled meter readers to perform their usual tasks and read the meter in such instances (a task for which Staff says each utility is currently compensated in their monthly customer charges). According to Staff, although the meter readers will be on their normal routes and their efforts could be coordinated with alternative MSPs who desire to switch a specific meter, CILCO proposes that another meter technician, who earns a higher hourly wage rate than the meter reader, must read the meter in all switching instances. Staff claims that no reason was provided as to why this is necessary. The result, Staff contends, is to unnecessarily increase the costs of switching meters and thus inhibit switching. Staff recommends that the Commission reject CILCO's proposal. (Id. at 53)

Staff indicates that it originally had concerns regarding the potential for MidAmerican to double-recover labor related travel costs associated with off-cycle multiple reads. MidAmerican addressed Staff's concerns in its rebuttal testimony this issue is no longer contested, according to Staff. (Id.)

Staff recommends that IP, ComEd and CILCO be ordered to develop and file specific rates for final meter reads on off-cycle switch dates, and proposes that the rates be set forth in the tariffs filed in compliance with this Order with all supporting work papers. Additionally, until such time as these utilities have provided full support in the proper forum, Staff indicates that they should not be allowed to charge for such services. Staff states that the lack of specific rates for the aforementioned services should not excuse these utilities from complying with the Commission Order in this docket. (Id. at 53-54)

5. MidAmerican's Position

MidAmerican indicates that Staff suggested that a pricing schedule be devised for off-cycle multiple meter switches to eliminate the possible multiple recovery of labor-related travel expenses. MidAmerican states that it explained that the charges for off-cycle switching were "per account" charges. MidAmerican further noted that customers served by multiple meters at a single location are established as a single account with multiple meters. MidAmerican indicates that only a single off-cycle charge would apply, and there would be no multiple recovery of labor-related travel expenses. MidAmerican indicates that this approach and these charges were approved in its DST case. (MidAmerican Brief at 9-10)

6. The Coalition's Position

The Coalition argues that utilities should not be allowed to develop unspecified and unquantified "other charges." (Coalition Brief at 34)

7. Commission's Conclusion

Several utilities propose to charge MSPs what they characterize as their cost of providing certain non-standard services, including off-cycle meter reads and removing their own meter. The primary benefit of this approach, the utilities claim, is that the entity that causes costs to be incurred pays for them. However, the reason for price regulation of charges is to ensure that the utilities' rates are just and reasonable, rather than left to the discretion of the utility. Thus, while the Commission recognizes the merits of requiring the cost causer to pay, this must be balanced with the Commission's responsibilities to protect consumers and promote the development of an effectively competitive electricity market.

At the urging of Staff, IP has agreed to include unit costs in its tariffs that would be used to compute its cost of providing non-standard services to MSPs. ComEd indicates that it will update its G.O. 25 informational filing with the Commission to include the unit charges that would be charged to MSPs for travel time, meter reading time or other services that may be provided to MSPs. CILCO resists, altogether, the idea of including unit costs in its tariffs. Thus, the three utilities have three different proposals before the Commission.

The Commission finds unconvincing CILCO's assertion that it would be required to follow cumbersome technical tariff filing procedures every time its collective bargaining agreements resulted in a change in wage rates. Assuming CILCO were required to include unit costs in its tariffs, CILCO could choose to follow tariff filing procedures when wage rates change or it could choose to charge the wage rates stated in its tariff. This is the same decision it must make with regard to its retail delivery service rates. Historically, CILCO has not chosen to file new retail tariffs every time a single component of its cost of service changes.

The Commission finds, as wholly unacceptable, CILCO's proposal that would allow it to charge MSPs whatever it wants to perform non-standard services. Under CILCO's proposal, it could provide price quotes, based on wage rates and time estimates that it alone establishes, for non-standard services. ComEd's proposal, while superior to CILCO's, is also unacceptable. Under ComEd's proposal, it too would control both the wage rates and time estimates associated with the provision of non-standard services to MSPs. While ComEd would apparently make an informational filing with the Commission to identify its wage rates, it is not clear what control the Commission would have over this factor. Furthermore, it would be solely within ComEd's discretion to determine which wage rate to apply as well as to determine the amount of time required to perform any given service.

In contrast to the ComEd and CILCO proposals, IP has presented the standard unit costs, including the basis for them, which IP will include in its tariff and use to compute the applicable charge for an off-cycle final meter read. As IP agreed during the hearings, IP's tariff filing following the entry of this Order should include the standard unit costs shown on Revised IP Exhibit 10.8, and should provide that the MSP will be charged the applicable travel charge once per trip by an IP employee to a customer's premises to take an off-cycle final meter reading or readings, and will be charged the applicable off-cycle meter reading charge per each meter read at the customer's premises. With respect to the other utilities that desire to charge for off-cycle meter readings, Staff's recommendation that the utilities include unit costs in a compliance filing pursuant to this order is unworkable. Under that scenario, it would be Staff, not the Commission, that would determine if the unit costs for non-standard services are just and reasonable. Obviously, the Commission, not Staff, has responsibility to set just and reasonable rates.

The Commission believes that the utilities are entitled to an opportunity to recover costs incurred to provide non-standard services, including off-cycle meter reads and in some cases, meter removal activities. Other than with respect to IP's off-cycle meter reading activities, the record in this proceeding contains no information regarding the utilities' costs of providing such services. As a result, except for IP's off-cycle meter reading activities, the Commission cannot establish rates for non-standard services, and the Commission rejects the utilities' proposals to assess charges for non-standard services without prior Commission approval of the level of charges. As noted in the preceding paragraph, IP's proposed charges for off-cycle final meter reads have been presented and supported in this proceeding, and are approved. To the extent any utility wishes to assess charges for non-standard services, it may make a tariff filing that the Commission can evaluate.

While a utility may read its own meter whenever it desires, it cannot assess additional charges if the read occurs on the regular scheduled meter date, and may only assess additional charges for off-cycle meter reads in those instances where joint meets are authorized in Section VI.A.6 below and when the utility has tariffs on file that explicitly state any such charges.

C. Meter Handling Charges

1. IP's Position

IP proposes to assess a meter handling charge on an MSP for each IP meter that is removed (whether by IP or an MSP) from a customer's premises so that the customer can switch to an MSP. These charges, which are stated in IP's tariff, will differ depending on whether the removed IP meter package was self-contained or transformer-rated. IP asserts that the meter handling charge will recover IP's costs to receive the meter at IP's meter shop and to inspect, test, disassemble if necessary, and store the meter. (IP Brief at 32)

IP asserts that the costs that the meter handling charge is designed to recover are costs that IP would not incur if metering were not being unbundled and if the particular customer did not elect to switch to an MSP, and are for tasks required by Commission regulations. Further, IP alleges that these costs are incremental to the costs IP incurs to handle meters as part of its provision of metering to bundled service customers or to delivery services customers, such as when IP's meter is removed and replaced for maintenance, periodic testing or upgrading. Additionally, IP alleges that since it will be handling more removed meters due to switch requests from MSPs than would be removed and handled in the course of IP's normal provision of bundled metering to customers, it must commit additional resources to this task to accommodate the MSPs and the unbundling of metering. (Id. at 33)

IP argues that the fact that ComEd has elected to recover these costs in a different manner provides no basis for failing to approve IP's proposed meter handling charge. IP argues that recovery of the meter handling costs through a specific, per-occurrence charge to the MSP to which the customer is switching is an appropriate means of cost recovery, and should be approved. (Id.)

2. Staff's Position

Staff opposes IP's proposed meter handling charges of $128 per large metering equipment packages and $48 for all others because they would hinder the development of the competitive market for unbundled metering service. Staff argues that MSPs would absorb some of IP's costs to refurbish its meter stock and subsidize IP's risk of doing business that is associated with providing meters. (Staff Brief at 54)

Staff believes that some of these costs go beyond what IP must incur in order for MSPs to conduct business in the IP service territory. According to Staff, some of the costs are incurred by IP only if an MSP wins a customer from IP and IP subsequently makes a business decision that it is less costly to keep the removed meter in its inventory for future use, as compared to scrapping the removed meter and purchasing new meters for future use. Staff argues that IP would like the Commission to believe that IP must incur all of these meter handling costs to comply with 83 Ill. Adm. Code 410, when in fact, Part 410 requires only a part of the cost that IP seeks. Staff indicates that the other part of this charge is so that IP can return the meter to service rather than buy a new meter to service the next customer. (Id.)

Staff argues that each entity must decide whether it is more economical to incur these costs by refurbishing and returning the used meter to its stock, or to scrap the meter and purchase a meter for future customer use. According to Staff, meter handling is a cost that is internal to IP and MSPs, and each entity must decide whether it is more economical to refurbish old meters or purchase new meters to serve future customers. Staff urges the Commission to reject the IP proposed meter handling charges. (Id. at 54)

3. MidAmerican's Position

MidAmerican agreed with Staff that IP's proposed meter handling charge would reimburse IP for its costs to receive, inspect, test, disassemble and place into storage meters that are removed from customer premises. MidAmerican also notes that these are costs IP voluntarily incurs in order to be able to realize further value from the meter after it is removed. MidAmerican concludes that such charges are inappropriate to apply to MSPs. (MidAmerican Brief at 23)

4. Commission Conclusion

The Commission is of the opinion that IP's proposed meter handling charge should not be approved. The Commission finds that the charge would recover costs from MSPs that would occur in the absence of unbundling. Such a charge is inappropriate and would in all likelihood hinder the development of competition.

VI. JOINT MEETS

A. Necessity of Joint Meets

1. CILCO's Position

CILCO's proposed metering services provider operating procedures provide for both CILCO and the MSP to be present and responsible for both removal and installation of their own metering equipment. This procedure is known as a "joint meet." CILCO claims that joint meets would reduce the incentive for fraud, and would eliminate disputes over lost equipment or equipment damage alleged to have occurred during removal, thereby reducing billing discrepancies due to lack of timeliness and equipment failures. CILCO also asserts that allowing the MSP to remove CILCO's meters would interfere with CILCO's collective bargaining agreements with its union employees. (CILCO Brief at 5)

CILCO notes that Staff has opposed joint meets, and would permit the new MSP (except in situations involving safety, reliability or access) to assume responsibility for removing the meter of the prior provider and delay the return of the meter for up to 10 days. CILCO argues that during that 10-day period, the integrity of the meter data could be seriously compromised. CILCO further claims that for customers with transformer-rated meters, the meter could be removed, enabling the customer to receive unmetered use of electricity from CILCO for up to 10 days before the new meter provider installed its meter, and that during the 10 days that CILCO's meter is in the custody of the MSP, an unscrupulous provider could temporarily use it at the premises of another of its customers. (Id. at 6)

CILCO indicates that in the absence of joint meets, it would revise its proposed procedures to require that the MSP give CILCO reasonable notice of the removal of the existing meter and installation of the new meter. Staff had no objection to a provision of this nature. Also, CILCO asserts that it should be permitted to revise its tariffs to provide a maximum time for the MSP to provide CILCO with the billing data from the meter. CILCO's indicates that its normal billing window is one to two days, i.e., the bill is generated within one or two days of the meter read. CILCO states that unless the MSP provides the information in the same timely fashion, CILCO will incur additional costs associated with the increased billing lag, resulting in revenue requirements that are not reflected in current rates. CILCO also indicates that customers could experience untimely billing of services from CILCO and the ARES. (Id. at 6)

2. ComEd's Position

ComEd proposes that its regular meter readers, who have access to and can use ComEd's special electronic meter security passwords, conduct the final meter reading of ComEd meters prior to MSPs beginning to provide service. ComEd does not propose to charge the MSP or the customer for such a meter reading for the majority of customers eligible to receive unbundled metering service. In those few circumstances involving customers using extremely large amounts of electricity, or where ComEd personnel need to be present due to reasons of electrical safety or access to metering equipment are involved, ComEd would charge MSPs its costs for reading the meter at the time of meter exchange based upon ComEd's standard unit costs for labor and materials. (ComEd Brief at 40)

ComEd notes that the Coalition claims that MSPs should be permitted to perform the final meter reading of ComEd's meter. ComEd indicates that its customers eligible for unbundled metering service are predominantly served with electronic recording meters that are electronic password protected. ComEd asserts that such meters could only be read by MSPs if: (i) the meters were re-programmed individually on-site by ComEd to provide the MSP with a unique read-only password; or (ii) MSPs were given the electronic password information for ComEd's entire system. (Id. at 41)

ComEd insists that the re-programming option is not workable because it could only be performed at considerable expense through on-site programming of each affected electric meter. ComEd states that time spent on re-programming could be used to read the meter and be done with the job. In addition, ComEd asserts that such re-programming would only permit the MSP to take the one final reading of the single ComEd meter, which ComEd already proposes to take in nearly all cases without charge. (Id.)

ComEd argues that providing its system password to MSPs is also unacceptable because it has an obligation to and practice of maintaining customers' meter usage data in a private and confidential manner. According to ComEd, customer data confidentiality would no longer be assured if ComEd's metering passwords are given to MSPs. ComEd indicates that this is because possession of ComEd's system password information enables reading, altering and programming of any of the more than 80,000 electronic meters on ComEd's system, not just the meter for which the MSP would perform a final single reading. (Id.)

ComEd urges the Commission not to require it to incur substantial reprogramming costs that would allow an MSP to perform a single meter reading of ComEd's meters or provide system passwords to the MSP. ComEd requests that the Commission approve its proposal to read its own meter prior to the MSP's initiation of unbundled metering service. (Id. at 41-42)

3. IP's Position

IP states that prior to a customer switching to an MSP for metering service, IP will take a final reading from its meter. In those instances in which the MSP requests a switch date other than the customer's scheduled meter read date, IP indicates that it will bill a final meter reading charge to the MSP. IP indicates that the MSP can avoid this charge by requesting that the switch occur on the customer's scheduled meter read date. (IP Brief at 29)

In response to the Coalition proposal to allow MSPs to take the final meter reading, IP argues that it is responsible for the customer's meter usage data until the switch to the MSP's meter occurs; therefore, IP concludes that it should obtain the final readings from its meter prior to the switch. IP states that the MSP will be responsible for the meter usage data up to the time that a customer switches from the MSP to another MSP or back to IP; in such circumstances, the departing MSP will be responsible for taking the final readings from its meter prior to the switch. In other words, according to IP, it is treating the matter of responsibility for final meter reads symmetrically. (Id. at 30-31)

IP asserts that when a customer elects to switch to an MSP for metering service, the MSP will be responsible for removing IP's meter and returning it to IP, except in certain circumstances. IP indicates that in those cases in which IP must remove its meter from the customer's premises prior to the customer switching to an MSP, IP will bill the MSP for IP's actual costs of removing the meter. IP states that the circumstances in which IP will remove its meter are:

(1) where IP's metering equipment is located within an IP substation;
(2) where the MSP cannot obtain readings from the face of IP's metering equipment; and
(3) in any other circumstances in which in IP's judgment removal of metering equipment by IP is appropriate, including but not limited to reasons of safety, service reliability, preservation of equipment or preservation of usage data.

IP claims that in the long run, removal of IP meters by IP will prove to be the exception rather than the rule. (Id. at 31)

4. Staff's Position

Staff indicates that under ComEd's meter switching proposal, a relatively simple and inexpensive "one truck" meter exchange scenario will occur for the vast majority of customers eligible for unbundled metering service. In addition, Staff notes that in MidAmerican's "Illinois Meter Service Provider Operating Requirements Handbook", the MSP is required to take the final visual read from the existing meter before it is removed from service and must return the meter to its owner within ten business days of removal. Staff also notes that in a simple meter removal or meter exchange, which will be the case in the majority of the times, Alliant agrees that a joint meet is not required. (Staff Brief at 66)

Staff indicates that CILCO, in contrast to these other utilities, has taken the position that joint meets for all meter exchanges are necessary. It is Staff's position that the cost of joint meets would not be offset by the reduced possibility of possible fraud. (Staff Brief at 66) In addition, any benefit to an MSP of providing substandard service or committing criminal activities is more than offset by the risk of monetary penalties and loss of certification under the proposed 83 Ill. Adm. Code 460. (Id.)

It is Staff's position that joint meets between the utility and the MSP are not necessary in all cases when an MSP begins serving an existing customer. Staff notes that joint meets can increase the costs of transferring service from the utility to the MSP without providing significant benefit to any party. Staff recommends that except in cases where the MSP cannot remove the meter for safety, reliability or access reasons, or data necessary to bill the customer cannot be retrieved without a joint meet, the MSP be allowed to remove the utility's meter and install the new meter without the presence of a utility worker. It is Staff's opinion that this practice should be included in the tariffs of all Illinois utilities. (Id. at 65)

According to Staff, no party has questioned the ability of a certified MSP worker to accurately read a meter. Staff asserts there has been no showing that an MSP has insufficient incentive under the proposed Part 460 to provide timely and accurate meter reads and equipment returns. Therefore, Staff recommends that the Commission require all utilities to include provisions in their tariffs that require joint meets only when safety, reliability or data integrity are at unusual risk. (Id. at 67)

5. MidAmerican's Position

MidAmerican agrees with Staff that joint meets may be necessary in cases where the MSP cannot remove the meter for safety, reliability, or access reasons, or where data necessary to bill the customer cannot be retrieved without a joint meet. MidAmerican is particularly concerned about situations involving advanced metering and the retrieval of interval data. MidAmerican notes that the utility can incur significant expense if this data is retrieved improperly or in an untimely fashion and that the utility retrieval of data at a joint meet may be necessary to protect the billing data stream. MidAmerican notes that communication between the utility and MSPs will be vital to assure that such joint meets occur when necessary, and that they occur with a minimum of inconvenience and expense to all parties. MidAmerican anticipates that the process will flow smoothly once working relationships have been established between MSPs and the utilities. (MidAmerican Brief at 6-7)

6. The Coalition's Position

The Coalition asserts that allowing MSPs to perform the final meter read is critical to the development of competition in providing unbundled metering services in Illinois. According to the Coalition, the utilities not only have failed to provide any valid reason to prohibit MSPs from performing this function, but plead ignorance to the fact that MSPs are already performing final meter reads in other jurisdictions that have unbundled metering services. The Coalition argues that the Commission should ignore the utilities' assertions and ensure that utilities do not utilize the requirement for joint meets on the final meter read as a mechanism to thwart competition in metering services. (Coalition Brief at 23-24)

The Coalition asserts that requiring joint meets would increase the costs to consumers who elect service from an MSP. The Coalition further argues that the resources needed to schedule joint metering will add unnecessary and burdensome complexity and there will be additional costs imposed upon an MSP if the utility fails to show up for the final meter read. (Id. at 24-25)

The Coalition notes that the certification requirements proposed for MSPs are extremely comprehensive and are designed to ensure that all MSPs will have the requisite financial, managerial, and technical capabilities to provide metering services. The Coalition indicates that the proposed certification rules contain extensive worker training and qualification requirements, testing of facilities and equipment, and meter accuracy and testing requirements. (Proposed 83 Ill. Adm. Code 460) The Coalition argues that no party can legitimately assert that the meter workers of an MSP will not be qualified to conduct the final meter read. (Id. at 25)

The Coalition claims that assertions by the utilities that the potential for fraud exists if an MSP were allowed to conduct the final meter read are not credible. The Coalition indicates that in addition to existing criminal laws, the proposed certification rules contain provisions regarding meter tampering, theft of service, and illegal taps. The Coalition asserts that any fraudulent activity by an MSP could result in not only fines and penalties under Illinois criminal law, but also fines, penalties, or the alteration, revocation, or suspension of the MSP's certificate of service authority by the Commission. The Coalition argues that the loss or suspension of an MSP's certificate of service in Illinois is a significant deterrent for a potential MSP, since it would have widespread commercial implications not only in Illinois but in any other state that the MSP might wish to provide services. (Id. at 25-26)

The Coalition indicates that by allowing MSPs to perform the final meter read, a utility would not be required to perform any off-cycle meter work and it would be unnecessary for the utilities to impose any additional fees for such services upon MSPs or customers choosing to take service from an MSP. Thus, according to the Coalition, there will be no need for any special charges for off-cycle meter reads or for meter reads at facilities with multiple meters. The Coalition argues that there would be significantly reduced costs to the utility if MSPs were allowed to take the final meter read and that there is no valid reason to prevent MSPs from taking the final meter read. (Id. at 27)

Lastly, the Coalition argues that no valid economic, legal, technical, safety, security, or reliability reason has been asserted by the utilities to justify prohibiting MSPs from performing this function. The Coalition urges the Commission to direct the utilities to revise their MSP tariffs and allow MSPs to perform the final meter read when their customers commence service with an MSP. (Id. at 28)

7. Commission's Conclusion

There are two circumstances that could require a joint meet: when the utility performs a final meter read and when the utility removes its meter. ComEd, IP and CILCO contemplate that their own employees will perform the final meter read. ComEd indicates that this will be necessary in most circumstances because its meters use electronic meter security passwords. IP and CILCO do not make this claim but, among other things, assert that their employees should perform final meter reads to maintain the integrity of the data. Staff recommends that a joint meet for final meter reads should be allowed only when data integrity is at "unusual risk." The Coalition asserts that the new MSP should always perform the final meter read and that ComEd should provide MSPs with its electronic meter security passwords to eliminate the need for final meter read joint meets.

The Commission finds that an MSP that receives a certificate from this Commission is qualified to take final meter reads. The Commission rejects the arguments of IP and CILCO that the MSP cannot be trusted to perform final meter reads or that it should be assumed that MSP will act in a fraudulent manner. MSPs, like electric utilities, are subject to the Commission's jurisdiction. The Commission is in the process of implementing rules to ensure that the integrity of metering equipment and data is maintained.

The Commission finds that in those instances where an MSP cannot obtain a final meter read from the face of the meter, the utility may require a joint meet. This includes final reads of meters with an electronic meter security password. The Commission rejects the Coalition's suggestion that the utilities should provide such passwords to the MSPs. This suggestion raises issues beyond unbundled metering such as access to, and confidentiality of usage data throughout the utility's entire system.

Staff recommends that joint meets for meter removal be allowed only when safety, reliability or data integrity are at unusual risk. It appears that IP and ComEd are in agreement with this proposal, but CILCO objects to the MSP removing the utility's meter and returning the meter to the utility at a later date. The Commission does not find CILCO's arguments concerning its collective bargaining agreements or possible fraud on the part of the MSP to be sufficient reason for adopting CILCO's position. The Commission finds that Staff's proposal is reasonable and will only allow utilities to require joint meets for meter removal in the circumstances specified by Staff.

The Commission accepts CILCO's proposal to modify its tariff to require that the MSP give CILCO reasonable notice of the removal of the existing meter and installation of the new meter. The Commission believes that ten calendar days is reasonable for such purpose. Finally, the Commission accepts CILCO's proposal to revise its tariff to provide that MSPs must provide CILCO with the billing data within two calendar days of the meter read.

B. Meter Replacement Capabilities

1. IP's Position

IP proposes in its tariff that the MSP's metering equipment be capable of measuring and recording the same usage data, for the same time periods and intervals, as IP's metering equipment in place at a customer's premises immediately prior to the installation of the MSP's metering equipment. (IP Brief at 43)

IP notes that Staff argued that this provision would require MSPs to install meters that are more expensive and collect more data than needed to bill the customer and might thereby create a barrier to competition. IP submits that Staff's concerns are unwarranted. IP states that it does not follow a practice of installing meters at customer premises with greater capabilities than are needed. IP argues that the reason it has included this provision is to insure the continued availability of interval data if a customer switches to an MSP. IP indicates that it is installing interval metering for customers whose load sizes or other usage parameters are such that load profiles cannot be used to estimate the specific customer's hourly usage with complete validity. IP states that use of interval metering in these cases results in more accurate determinations of imbalances (or lack thereof) and customers' usage. IP asserts that where it has installed interval metering, it is reasonable to require that metering with the same capabilities should also be installed by an MSP subsequently selected by the customer. (Id.)

2. Staff's Position

Staff contends that IP's position on meter replacement capabilities is inappropriate. Staff believes that if IP has a meter installed that collects more data than is needed to fairly and accurately bill the customer, the MSP should not be required to install a similar meter. (Staff Brief at 67)

Staff recommends that the IP requirement be replaced with language in CILCO Ex. 5.1. Section 8(b)(iii) of the “CILCO Metering Services Provider Operating Procedures” provides that: “All meters supplied by MSP’s must be capable of providing the data required for the Company to bill under its approved tariffs comparable to that of a Company-owned standard meter.” Staff asserts that the CILCO language is comparable to the language contained in the tariffs of other Illinois utilities and is adequate to provide the level of meter data necessary for all billing parties. (Id.)

Staff asserts that IP’s proposal could require an MSP to provide a meter that is much more expensive and collects much more data than the level necessary to serve that customer. In particular, utilities install meters that collect additional data specifically for load research. Staff indicates that utilities are already being compensated for conducting load research through their revenue requirements. (Id.)

Therefore, according to Staff, it follows that the MSP should not be required to incur significant costs for additional capabilities in a metering package when the functions benefit all customers in the incumbent utility’s service territory. Staff claims that the utility should compensate the MSP for any additional metering services needed to perform load research for the utility. (Id.)

3. CILCO’s Position

CILCO opposes Staff’s recommendation that the MSP only be required to install a meter capable of collecting “usage data needed for all service providers to bill that customer according to tariff or contract.” CILCO asserts that Staff’s position overlooks important reasons other than billing for which a meter with particular capabilities is installed. CILCO argues that it utilizes meters to aid in the control and monitoring of its transmission and distribution system, and to support its load research efforts, which are necessary to develop load profiles for delivery services. CILCO indicates that some of its larger customers have meters that provide continual data to the dispatch center that enables CILCO to monitor load placed on the system by the customer for reliability purposes. CILCO urges the Commission to reject Staff's position and approve the position advocated by IP that an MSP be required to replace the utility’s meter with one of like or greater capability. (CILCO Brief at 7)

4. Commission’s Conclusion

The Commission is of the opinion that although there seems to be a disagreement between CILCO and Staff on what language in CILCO’s tariff means, the MSP should only be required to install a replacement meter that is capable of collecting usage data needed for all service providers to bill that customer according to tariff or contract. Any supplemental metering capabilities desired by the utility should be the responsibility of the utility.

VII. OTHER ISSUES

A. Uniformity of Tariffs

1. The Coalition's Position

The Coalition argues that there should be uniform terms and conditions in the utilities' MSP tariffs and uniform cost allocation and cost recovery methods for unbundled metering services. The Coalition contends that a lack of uniformity in MSP Tariffs would virtually guarantee that there would be little or no competition for metering services outside ComEd's service territory. The Coalition asserts that in light of the recent history of the lack of competition in generation outside ComEd's service territory and the fact that competitive generation is a prerequisite for the unbundling of metering, the terms and conditions in ComEd's MSP tariffs, with certain revisions, should be the starting point for the MSP tariffs of the other Illinois utilities. (Coalition Brief at 34-36)

To achieve uniformity, the Coalition first recommends that ComEd's tariff be revised to (1) allow MSPs to perform the final meter read; (2) delete unspecified and unquantified "other charges"; (3) exclude requirements that are already included in the first notice Part 460 MSP certification rules and (4) exclude a requirement that MSPs conduct load research on behalf of utilities without receiving compensation. The Coalition contends that these revisions remove anti-competitive provisions from ComEd's tariff. The Coalition indicates that the other electric utilities should then use ComEd's tariff, with these revisions, as a pro forma template tariff. The Coalition states that exceptions to the pro forma tariff should be allowed only when they are justified by unique circumstances. (Id. at 34 and 36)

The Coalition asserts that if a pro forma tariff is not adopted, an MSP that markets in territories other than ComEd's will have to understand the different terms and conditions in the tariffs and incur additional expenses to train its employees and develop business systems. The Coalition also contends that the MSPs will have to develop different pricing structures if non-uniform tariff structures of the utilities cause them to incur different costs. The Coalition concludes that a lack of uniformity would make it exponentially more difficult to achieve competition. (Id. at 36)

2. Utilities' Positions

Ameren, CILCO, ComEd, IP and MidAmerican object to the Coalition's proposal. They indicate that there is substantial uniformity in their proposed tariffs. (Ameren Brief at 10-11, CILCO Brief at 3, ComEd Brief at 42-43, IP Brief at 46-47, and MidAmerican Brief at 19).

CILCO asserts that there is no evidence that particular provisions of its tariffs are inferior to the modified ComEd tariffs that the Coalition seeks to impose on all of the electric utilities. (CILCO Brief at 3) Similarly, Ameren indicates that the burden should be on the Coalition to show that the lack of uniformity in a particular tariff provision creates an undue burden on competition and that the version of a particular provision in ComEd's tariffs is preferable to the version in Ameren's tariffs. Ameren asserts that the Coalition has not even attempted to make such a showing. (Ameren Brief at 10-11) IP indicates that Coalition witness Bodmer did not identify any specific instances of inconsistencies between IP's proposed terms and conditions and those of the other utilities. (IP Brief at 47) ComEd indicates that the key to efficient operation of unbundled metering services in different Illinois service territories is the use of common business procedures, not identical tariffs. ComEd concludes that since the Illinois electric utilities' tariffs contain standardization regarding business procedures, there is no need to eliminate the reasonable differences that remain between their tariffs. (ComEd Brief at 42-43) MidAmerican asserts that the use of ComEd's metering services tariffs as the starting point for the development of a statewide uniform tariff is inappropriate. MidAmerican states that much of Coalition witness Bodmer's testimony addressed his perceived problems with ComEd's tariffs. (MidAmerican Brief at 19-20)

CILCO characterizes the argument that lack of uniformity is an impediment to competition as a red herring. CILCO indicates that the expense and effort that MSPs face as a result of non-uniform tariffs is speculative. CILCO asserts that the Coalition did not present any evidence of the actual expense that would be incurred. (CILCO Brief at 3-4)

MidAmerican states that increased uniformity would assist in developing a competitive market for unbundled metering. MidAmerican indicates, however, that this docket is not the appropriate proceeding in which to pursue increased uniformity. MidAmerican notes that metering services are to be unbundled on January 1, 2001, and concludes that it would not be productive or achievable to establish metering services tariffs for all Illinois electric utilities and then somehow make them uniform by January 1, 2001. (MidAmerican Brief at 19)

Ameren indicates that if the Commission determines that further uniformity of tariffs for unbundled metering is an appropriate goal, the Commission should either initiate a new proceeding to investigate such uniformity or address this issue in the current investigation of delivery services tariffs uniformity, Docket 00-0494. (Ameren Brief at 12) IP concludes that any further efforts at achieving uniformity should take place in Docket 00-0494. (IP Brief at 48)

3. Commission's Conclusion

The Commission recognizes that there is substantial uniformity in the utility's proposed unbundled metering tariffs. While the Commission believes that further uniformity of unbundled metering tariffs, to the extent practical, is a desirable goal, the Commission concludes that the Coalition's proposal should be rejected in this docket.

The evidence does not establish that ComEd's proposed tariffs should be adopted as a pro forma template tariff. The Commission concludes that uniformity of unbundled metering tariffs should be examined in Docket 00-0494, the pending docket that is examining uniformity of delivery services tariffs.

B. Utilities to be certified as MSPs

Staff advocates that Illinois electric utilities providing metering services outside their service territory be certified as MSPs in the same manner as other MSPs. (Staff Brief at 68-70) MidAmerican and ComEd object to such certification, calling it unnecessary duplication. They believe that the utilities are qualified to provide metering services outside their traditional service areas and emphasize that their metring services are already regulated by the Commission. (MidAmerican Brief at 15-16, ComEd Brief at 6)

The Commission notes that it currently has an open rulemaking, Docket 00-0182, that concerns the regulation and certification of MSPs. The rulemaking is in the first notice period and is the appropriate place to resolve this issue.

C. Credit Security

1. IP's Position

IP indicates that its tariff provides that at the time of registration with IP, an MSP shall provide credit security for up to two months estimated billings for services to be provided by IP to the MSP. IP notes that the required credit security may be increased from time to time based on increases in the amount of IP's billings to the MSP. According to IP, this is the same amount of credit security required of a RES for services provided by IP to the RES that was approved by the Commission in IP's DST case. (IP Brief at 36)

IP's tariff provides that as part of the process of registering with IP, an MSP must provide estimates of the number of customers the MSP anticipates serving and the number of transformer-rated and self-contained meters to be used in serving those customers. IP indicates that this information will be used to determine the initial amount of credit security to be provided by the MSP. IP states that it will use the MSP's estimate of the number of customers it expects to serve during the first year to estimate the amount of DASR fees, "off-cycle" final meter reading charges, meter handling charges and meter removal charges expected to be billed to the MSP on a monthly basis. IP states that it will also use the MSP's estimate of its number of customers and different types of meter installations to determine the credit security amount, rather than using estimates developed by IP. IP believes this will reduce the chances that the credit security amount will be too high or too low in relation to the two months estimated billings standard. (Id. at 36-37)

IP notes that Staff and MidAmerican expressed concern that requiring the MSP to supply this information could provide a basis for IP to reject an MSP's registration application. IP states that it does not intend to use this requirement as an excuse to reject an MSP's registration, so long as the MSP in fact provides an estimate. (IP Brief at 37-38) IP will use the MSP's estimate even if it appears, based on other information, to be an unreasonable estimate. (Id. at 38)

IP argues that the credit security required from the MSP is intended to cover anticipated billings to the MSP for DASR fees, final meter reading charges, meter handling charges and meter removal charges, which are incurred at the time a customer switches to an MSP. IP contends that an MSP will not register with it unless the MSP has the relatively immediate intention to serve IP customers. IP believes that if it had to request and obtain the credit security from the MSP in processing an enrollment DASR, a delay in the customer's switch date might result. IP argues that this delay would have no benefit and would result in many deposit requests. (Id. at 39)

2. CILCO's Position

The terms and conditions of CILCO's tariffs applicable to MSPs require credit security covering two months of CILCO's estimated billing for delivery services. Staff opposed any credit security amount beyond the estimated amounts due from the MSP to the utility. CILCO argues that Staff's position does little to hold the MSP accountable for any difficulties caused by its deficient service and places the accountability on the customer and CILCO. (CILCO Brief at 7)

CILCO asserts that the MSP controls the initial steps of the revenue cycle because the meter determines the amount of energy supply and delivery services used by the customer each month. CILCO indicates that it must rely upon this information to balance the customer's monthly energy consumption and to render charges for transmission, distribution and any company-supplied electricity. CILCO asserts that if a meter reading is not forthcoming or is inaccurate, a customer is more likely to dispute the bill and withhold payment. CILCO indicates that pending resolution of the dispute, the utility's collection of its charges for delivery services and company-supplied power is at risk. CILCO states that if the customer becomes insolvent or vanishes before the dispute is resolved, CILCO's delivery services bills will become uncollectible. According to CILCO, the credit risk is very similar to the risk of non-payment under the single bill option ("SBO") for which the Commission allows utilities to require adequate security. CILCO believes that billing disputes arising out of the fault of the MSP impose other costs on the utility, such as the time value of money related to withheld payments and the costs of litigation to resolve disputes. CILCO contends that the risk of non-collection and increased costs resulting from faulty metering should rest with the MSP, not CILCO or the customer. CILCO argues that the final order in this docket should permit CILCO to require credit security in the form of a deposit, letter of credit or performance bond sufficient to protect against the risk of non-collection of two months of CILCO billings to the customer and ARES. (CILCO Brief at 8)

3. Staff's Position

Staff indicates that the utilities should be allowed to require credit security from MSPs to ensure payment for services rendered. However, Staff does not agree that the credit security should be a requirement of registration with the utility. Additionally, Staff insists that the basis for that credit security should be the actual customer switches for which the utility will be required to provide services to the MSP. Staff's concern with requiring the credit security up-front as part of the registration process is that the utility could ask for a large deposit even though it may take the MSP a considerable amount of time to actually generate the business upon which the deposit would be based. Staff suggests that this would create a barrier to entry in the utility's territory by MSPs. (Staff Brief at 57)

Staff asserts that the purpose of the credit security is to give the utility financial protection when it provides services to the MSP. Staff proposes that the following language replace the proposals of IP and CILCO: "Prior to providing services to an MSP, Utility may require the MSP to furnish credit security not to exceed two months estimated billings by Utility to MSP." Staff suggests that when the MSP submits a DASR to the utility, the utility could assess the customer specific charges based on services it will be required to provide to the MSP in order to effect the customer switch. Staff indicates that under this method, the MSP would effectively provide a down payment to the utility for services it will require based on actual customers that are switching to the MSP's metering services. Staff states that at the end of the month, or whenever the utility bills the MSP for actual services rendered, the utility could assess the additional money needed from the MSP to cover the charges, or refund the amount of the credit security that exceeded the actual charges. It is Staff's position that DASRs are the best way to fairly and accurately estimate the amount of charges that the MSP will owe to the utility and prevent financial hardship to the MSP before the MSP is able to actually generate business. (Id. at 58)

Staff notes that in the MSP terms and conditions of Ameren's proposed tariffs, Ameren requires the MSP to comply with the terms of, and meet the minimum requirements for, "Credit Security." Staff believes that Ameren should either specify the terms of and minimum requirements for "Credit Security" or remove that provision from its tariffs. In rebuttal testimony, Ameren agreed to remove this provision from their tariffs. (Id. at 60)

Lastly, Staff indicates that MidAmerican's tariffs contain registration requirements that would require the MSP to file credit information with MidAmerican. According to Staff, MidAmerican did not specify what type of credit information must be filed. In rebuttal testimony, MidAmerican stated that it would be requesting the same credit information that the MSP is required to file with the Commission for certification. (Id. at 61)

4. MidAmerican's Position

MidAmerican notes that Staff disagreed with IP's proposal to require the MSP to provide the credit security up front at the time of registration. MidAmerican concurs with Staff's proposal that the credit security be based on the actual number of customers that are known to be switching, as indicated in the DASRs that are submitted to the utility. MidAmerican recognizes that both IP's proposal and Staff's alternative pose challenges but, on balance, concludes that Staff's proposal provides a more realistic estimate of the amount of charges that an MSP will owe to the utility. (MidAmerican Brief at 23-24)

5. Commission's Conclusion

The Commission concludes that utilities should be allowed to require a credit security from MSPs. The Commission, however, does not believe that credit security is needed as a condition of registration since there would be no risk to the utility prior to the time that the MSP has actual customers. Staff's suggested language is appropriate if a utility demands credit security from MSPs. The Commission concludes that the appropriate time for security to be pledged is when the DASR is submitted. The Commission further concludes that the credit security requirement should be tied to the number of DASRs submitted, not to an estimate of the number of potential MSP customers.

D. Update of Customer Information

MidAmerican expressed a concern about the customer information requirements contained in the other utilities' tariffs. MidAmerican notes that most utilities' tariffs do not provide for the updating of customer information that the utility is willing to provide to outside parties to reflect meter information that might be needed by MSPs. MidAmerican recommends that, with customer approval, all delivery service providers be required to provide information on the customer's current meter, including the number of meters, meter type, voltage, and other pertinent information, to outside parties.

The Commission finds that MidAmerican's recommendation regarding provision of customer information is reasonable and should be included in the utilities' tariffs. This information should be provided only with specific customer approval to certified MSPs.

E. Split Load Customers

1. Staff's Position

Staff argues that the Memorandum of Understanding ("MOU") submitted in an earlier part of this proceeding supports the view that partial load customers should be allowed to select an MSP for unbundled metering. Staff defines a partial load customer as a delivery services customer because partial load service is one of the delivery services options available to customers under current tariffs. According to Staff, because a partial load customer is a delivery services customer, that customer should be entitled to select metering services from an MSP. Staff is not convinced that opponents to split load metering have identified any legitimate practical considerations that would prevent partial load customers from taking metering service from an MSP. Staff does not believe that it matters whether some of the electricity comes from a RES, a utility, or both. (Staff Brief at 72-73)

2. CILCO's Position

CILCO proposes to allow partial requirements customers to utilize a MSP under circumstances where the delivery service requirements and bundled service are separately metered. CILCO states that such an option would not allow the customer to avoid CILCO's metering costs included in the bundled rates. CILCO argues that other partial requirement customers are billed on the basis of either the first through the meter, a percentage of use, or last through the meter. According to CILCO, the bundled amount would have to be billed at the bundled rate and could not be reduced to permit an MSP to provide metering. CILCO states that Sections 16-111(a) and 16-108(a) of the Act prohibit the Commission from changing a utility's bundled rates and unbundling bundled rates, respectively. (CILCO Brief at 10-11)

3. ComEd's Position

ComEd objects to Staff's proposal that split load customers be eligible for metering service from an MSP. ComEd argues that by their very nature, split load customers should be ineligible for metering services from an MSP. ComEd asserts that it offers bundled service in its entirety and the Commission is precluded from unbundling components of bundled service. (ComEd Brief at 45)

ComEd further notes that the MOU adopted by the Commission in the Third Interim Order states that a single MSP must be responsible for serving the entire customer load. ComEd argues that the intent of this portion of the MOU is to simplify the systems that are being developed by the utilities so that a single provider would be responsible for all of the meters for a given customer. Thus, according to ComEd, there is a strong practical reason for not allowing split load customers to utilize MSPs. (Id. at 46)

4. IP's Position

IP initially proposed that a customer could not take metering service from an MSP if any portion of the customer's load is being served on a bundled tariff. In response to Staff, IP modified its proposed tariff to allow a customer which has placed part of its load on delivery services to obtain metering service from an MSP for that portion of the customer's load, if the portion of the customers load that has been placed on delivery services and the portion that is served on a bundled tariff are served through separate meters. IP objects to any proposal that would allow an MSP to provide the metering through which the customer receives bundled service, even if the customer also takes delivery services through that meter. (IP Brief at 44)

IP argues that the Commission has already concluded in the Third Interim Order that the Act does not provide it with authority to unbundle the components of bundled service tariffs and allow them to be offered by alternative providers. IP construes Staff's position as requiring it to unbundle the metering component of its bundled service tariffs and allow customers to take that portion of their bundled service from an MSP. IP argues that this would be contrary to the Commission's ruling in the Third Interim Order. (IP Brief at 45)

5. MidAmerican's Position

MidAmerican concurs with Staff's position and will allow unbundling of metering services to customers who split load on the same meter and are eligible for partial load service under current delivery service tariffs. (MidAmerican Brief at 9)

6. Commission's Conclusion

Staff's recommendation to allow split load customers to take metering services from an MSP services is not warranted, given the conclusions reached in the Third Interim Order. It is not clear from Staff's proposal how utilities can unbundle the components of bundled service. Partial load customers remain bundled customers for part of their load and become delivery services customers for the remainder. For the customer with part of its load on bundled service, the Commission lacks authority to unbundle that portion and allow the customer to use an MSP. For a split load customer, the utility meter is used to record usage for both the bundled service portion and the delivery service portion of power and energy.

CILCO's and IP's proposals of allowing the customer to use an MSP for delivery service if the bundled service and delivery service requirements are separately metered are reasonable, but the Commission maintains that it lacks authority to order a utility to remove its meter for bundled customers, including split load customers.

F. Avoided Cost Credit

ComEd continues to argue that the Commission should use a net avoided cost basis for computing the "credit" for metering services not taken from the utility. ComEd argues again that that only a net avoided cost methodology allows utilities to recover their full costs of providing delivery services after unbundling, and that using an embedded cost approach will result in greater loss of revenue received by the utility than is offset by the reduction in its costs. The Commission has already ruled in the Third Interim Order that utilities shall use an embedded cost approach for unbundling metering service rates. There is no reason to revisit this issue.

G. Customer Obligation to Pay

1. CILCO's Position

CILCO proposes to hold the customer or MSP responsible for certain services such as special testing, installation of additional equipment work on the MSP meter, and removal and installation of a MSP meter during an emergency. CILCO states that its intent is to charge the entity making the request for the service, i.e., if the customer requests the service CILCO would look to the customer for payment, and if the MSP requests the service, CILCO would look to the MSP for payment. CILCO asserts that allowing the customer to escape responsibility for services that it requests would be fundamentally unfair. (CILCO Brief at 9)

2. Staff's Position

Staff disagrees with CILCO's proposal to charge either the customer or the MSP for services. Staff recommends that CILCO apply these charges only to MSPs since the MSP would have more knowledge or experience concerning the work to be performed, and be more likely to contest an unreasonable charge. (Staff Ex. 18.0 at 12)

3. Commission's Conclusion

The Commission is of the opinion that CILCO's proposal is reasonable and should be approved. If the customer ordered work to be performed by the utility independently of the MSP, the customer should be responsible for paying for the work. If the MSP ordered the work, the MSP should be responsible for payment.

H. Insurance Requirements

1. Parties' Positions

Staff argues that the insurance requirements contained in 83 Ill. Adm. Code 460 ("Part 460"), Section 100(b), as proposed, are sufficient to ensure compensation for customers, the entities supplying electricity to the customers, and other parties for injury or damages the MSP might cause. Staff indicates that additional requirements proposed by ComEd, IP, and CILCO in their tariffs should not be allowed. (Staff Brief at 61)

The three utilities, through their testimony, essentially agree to change their tariffs to alleviate Staff's concerns. Accordingly, ComEd proposes to modify the language in its tariff to remove the twenty-four hour window for obtaining new insurance and instead require that the MSP provide continuous and uninterrupted coverage. Staff suggested and ComEd agreed to replace the rating requirements for surety companies with the following language:

> "The surety company issuing the bond shall, at a minimum, be among those listed as acceptable sureties or reinsurers on federal bonds in Circular 570 of the U.S. Department of Treasury, entitled 'Companies Holding Certificates of Authority as Acceptable Sureties on Federal Bonds and as Acceptable Reinsuring Companies', that is in effect as of the date

the surety bond will be issued. The surety company selected may not underwrite more than the amount specified in the Circular 570 and must be licensed in the State of Illinois."

(Id. at 63)

CILCO has also agreed to modify its insurance requirements to reflect those that are adopted in Part 460. (Id. at 65)

IP believes there is general agreement on these points:

An MSP should not be allowed to provide service to retail customers at any time when the MSP is neither (i) authorized by the Industrial Commission to self-insure nor (ii) in possession of commercial general liability ("CGL") insurance meeting the requirements of Part 460.

The Workers Compensation Act provides that if renewal of an entity's authority to self-insure is denied by the Industrial Commission, the entity retains that authority for 120 days after receipt of a cancellation notice from the Industrial Commission. Thus, an MSP losing its authority from the Industrial Commission would have 120 days to obtain CGL insurance.

It is reasonable to require an MSP that loses its authorization to self-insure from the Industrial Commission to obtain CGL insurance meeting the requirements of Part 460 by the expiration of the 120-day period, so that the MSP's insurance coverage is uninterrupted and continuous.

Accordingly, IP proposes to add the following provisions to its tariff:

(1) An MSP which is qualified to provide self-insurance must promptly provide IP with copies of any notices from the Industrial Commission indicating that the MSP's authorization to self-insure is being terminated.

(2) An MSP whose qualification to self-insure is terminated by the Industrial Commission must have CGL insurance conforming to the requirements of Part 460 in place on or before the date that the MSP's qualification to self-insure expires.

(3) IP may terminate an MSP from providing metering service to delivery services customers in IP's service area for "failure to maintain required insurance coverages or qualification for and assurance of self-insurance in accordance with 83 Illinois Administrative Code Part 460."

(IP Brief at 42-43)

The one contested issue that remains is the Coalition's objection to ComEd inserting language from Part 460 into its tariff. The Coalition asserts that replicating the language of Part 460 is unnecessary and is costly to competitive suppliers. (Coalition Ex. 2.0 at 7)

ComEd notes that it has included some of the Commission's proposed Part 460 MSP certification provisions within its tariff. ComEd indicates that the most significant portion included pertains to MSP financial requirements, which have been duplicated from the rule with minor editing for clarity. ComEd states that the purpose of including these provisions in its tariff is so that it can require MSPs to maintain appropriate insurance coverage during the time of their service as MSPs as a term and condition of service under Rate MSPS. (ComEd Brief at 46)

ComEd asserts that if these financial and insurance provisions were not included in Rate MSPS, there is a risk that MSPs would be able to continue to provide service to customers without any insurance, pending any decertification proceeding of the Commission. ComEd argues that the provision of continuing service under Rate MSPS without insurance is contrary to the public interest since the MSPs affect ComEd's electric distribution system. (Id.)

2. Commission's Conclusion

The utilities are directed to amend their respective tariffs to reflect the agreed changes described above.

As to the contested issue of placing Part 460 language in the ComEd tariff, the Commission does not agree that its inclusion in individual tariffs would increase potential competitive supplier costs. While such language will be duplicative, the MSPs will still be required to comply with Part 460. As long as the tariff accurately reflects the provisions of Part 460, including such language in the tariff should not be prohibited.

I. MSP Audits

Staff notes that IP's tariffs include a requirement that an MSP allow IP to audit its records. Staff objects to this provision in IP's tariff as anti-competitive. The Commission agrees that it would be inappropriate to allow a utility the right to audit the records of an MSP. IP is directed to delete the provision from its tariffs.

VIII. COMMISSION'S FINDINGS AND ORDERING PARAGRAPHS

The Commission, having reviewed the entire record in this proceeding and being fully advised in the premises, is of the opinion and finds that:

(1) each of the Respondent utilities is engaged in the business of furnishing electric service in the State of Illinois and is a public utility within the meaning of Section 3-105 of the Public Utilities Act;

(2) the Commission has jurisdiction over each of the Respondent utilities and the subject matter herein;

(3) the recitals of fact and law heretofore set forth in the prefatory portions of this Order are supported by the evidence and are hereby adopted as findings of fact and conclusions of law herein;

(4) the utilities' tariff sheets pertaining to the unbundling of metering services, as modified to reflect agreements not rejected in this Order and conclusions in the prefatory portion of this Order, are hereby deemed to be just and reasonable; the utilities' are authorized to place such tariff sheets into effect and the tariff sheets shall be applicable to service furnished on and after January 2, 2001;

(5) the utilities shall file the new tariff sheets authorized to be filed by this Order within 15 business days of the date of this Order in order to allow time for Staff review and for submission of corrected pages, if necessary, before the effective date of January 1, 2001 for those tariff sheets.

IT IS THEREFORE ORDERED that the Respondent utilities shall comply with Finding (5) of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 4th day of October, 2000.

Chairman